CONSOLIDATED FINANCIAL STATEMENTS
BARWA BANK Q.S.C.

FOR THE YEAR ENDED
31 DECEMBER 2016

BARWA BANK Q.S.C.

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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Barwa Bank Q.S.C. - Annual audited consolidated financial statements for the year ended 31 December 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Barwa Bank Q.S.C.
Doha - Qatar

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Barwa Bank Q.S.C. (the "Bank") and its subsidiaries (together the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of changes in restricted investment accounts 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 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FAS") issued by Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and the applicable provisions of Qatar Central Bank regulations.

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 Ethics Standards Board for Accountants' Codes of Ethics for Professional Accountants (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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors Report which we obtained prior to the date of this auditor's report and the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 FAS issued by AAOIFI and the 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. The Board of Directors is responsible for overseeing the Group's financial reporting process.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

- 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 management.

- Conclude on the appropriateness of the management's 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 those charged with governance 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 those charged with governance 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 other legal and regulatory requirements

We are also of the opinion that proper books of account were maintained by the Group. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the consolidated financial information included in the Board of Directors' report addressed to the General Assembly is in agreement with the books and records of the Group. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Central Bank Law, Qatar Commercial Companies Law and the Bank's and subsidiaries' Articles of Association were committed during the year which would materially affect the Group's activities or its financial position.

Doha - Qatar
February 13, 2017

For **Deloitte & Touche**
Qatar Branch

Walid Slim
Partner
License No. 319

BARWA BANK Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

QAR '000s

As at 31 December	Note	2016	2015
ASSETS			
Cash and balances with Qatar Central Bank	8	**1,582,534**	1,396,946
Due from banks	9	**2,696,054**	2,403,836
Financing assets	10	**29,778,499**	28,497,638
Investment securities	11	**10,348,286**	11,219,306
Investment in associates and joint ventures	12	**298,308**	299,717
Investment properties	13	**4,662**	4,662
Fixed assets	14	**246,842**	267,730
Intangible assets	15	**777,230**	777,230
Other assets	16	**317,265**	334,553
TOTAL ASSETS		**46,049,680**	45,201,618
LIABILITIES			
Due to banks	17	**5,739,803**	11,837,255
Sukuk financing	18	**2,197,594**	-
Customer current accounts	19	**1,590,923**	1,749,029
Other liabilities	20	**871,534**	1,074,687
TOTAL LIABILITIES		**10,399,854**	14,660,971
EQUITY OF INVESTMENT ACCOUNT HOLDERS	21	**28,386,614**	23,715,779
OWNERS' EQUITY			
Share capital	22(a)	**3,000,000**	3,000,000
Legal reserve	22(b)	**2,245,357**	2,097,700
Treasury shares	22(e)	**(38,349)**	(38,349)
Risk reserve	22(c)	**695,563**	616,776
Fair value reserve	11	**(11,320)**	(15,430)
Foreign currency translation reserve	12(a)	**107**	1,002
Other reserves	22(d)	**530,224**	426,951
Retained earnings		**818,380**	705,976
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**7,239,962**	6,794,626
Non-controlling interests	23	**23,250**	30,242
TOTAL OWNERS' EQUITY		**7,263,212**	6,824,868
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**46,049,680**	45,201,618

These consolidated financial statements were approved by the Board of Directors on 1 February 2016 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Yousef Al-Subeai
Group Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

BARWA BANK Q.S.C.

CONSOLIDATED INCOME STATEMENT

QAR '000s

For the year ended 31 December	Note	2016	2015
Net income from financing activities	24	**1,393,688**	1,212,980
Net income from investing activities	25	**401,738**	360,590
Total net income from financing and investing activities		**1,795,426**	1,573,570
Fee and commission income	26	**143,896**	147,040
Fee and commission expense	26	**(8,403)**	(9,765)
Net fee and commission income		**135,493**	137,275
Net foreign exchange gain		**24,918**	5,375
Share of results of associates and joint ventures	12	**5,078**	(13,133)
Other income		**41,242**	16,372
Total income		**2,002,157**	1,719,459
Staff costs	27	**(284,921)**	(291,309)
Depreciation	14	**(33,711)**	(33,759)
Other expenses	28	**(138,765)**	(159,228)
Finance cost		**(167,923)**	(87,083)
Total expenses		**(625,320)**	(571,379)
Net impairment loss on investment securities	11	**(8,608)**	(72,898)
Net impairment loss on financing assets	10(b)	**(78,098)**	(21,328)
Profit for the year before return to investment account holders		**1,290,131**	1,053,854
Return to investment account holders before Bank's share as Mudarib		**(651,870)**	(505,977)
Bank's share as Mudarib		**100,541**	180,140
Net return to investment account holders	21	**(551,329)**	(325,837)
Net profit for the year		**738,802**	728,017
Net profit for the year attributable to:			
Equity holders of the Bank		**738,286**	729,748
Non-controlling interests		**516**	(1,731)
Net profit for the year		**738,802**	728,017
Earnings per share			
Basic and diluted earnings per share (QAR per share)	33	**2.49**	2.46

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

BARWA BANK Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

QAR '000s

For the year ended 31 December 2016

	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2016	3,000,000	2,097,700	(38,349)	616,776	(15,430)	1,002	426,951	705,976	6,794,626	30,242	6,824,868
Fair value reserve movement (note 11)	-	-	-	-	2,499	-	-	-	2,499	-	2,499
Share of associates foreign currency translation reserve (note 12a)	-	-	-	-	1,611	(1,084)	-	-	527	-	527
Net investment hedge gain (note 12a)	-	-	-	-	-	189	-	-	189	-	189
Profit for the year	-	-	-	-	-	-	-	738,286	738,286	516	738,802
Total recognised income and expense for the year	-	-	-	-	4,110	(895)	-	738,286	741,501	516	742,017
Dividend paid	-	-	-	-	-	-	-	(296,165)	(296,165)	-	(296,165)
Transfer to legal reserve	-	147,657	-	-	-	-	-	(147,657)	-	-	-
Transfer to risk reserve	-	-	-	78,787	-	-	-	(78,787)	-	-	-
Change in other reserves, net	-	-	-	-	-	-	103,273	(103,273)	-	-	-
Change in ownership stake (note 23)	-	-	-	-	-	-	-	-	-	(7,508)	(7,508)
Balance at 31 December 2016	3,000,000	2,245,357	(38,349)	695,563	(11,320)	107	530,224	818,380	7,239,962	23,250	7,263,212

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

BARWA BANK Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY (CONTINUED)

QAR '000s

For the year ended 31 December 2015

	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2015	3,000,000	1,951,750	(38,349)	500,645	(129)	1,816	328,940	632,485	6,377,158	48,944	6,426,102
Fair value reserve movement (note 11)	-	-	-	-	(13,610)	-	-	-	(13,610)	-	(13,610)
Share of associates foreign currency translation reserve (note 12a)	-	-	-	-	(1,691)	(814)	-	-	(2,505)	-	(2,505)
Net investment hedge gain (note 12a)	-	-	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	-	729,748	729,748	(1,731)	728,017
Total recognised income and expense for the year	-	-	-	-	(15,301)	(814)	-	729,748	713,633	(1,731)	711,902
	-	-	-	-	-	-	-	(296,165)	(296,165)	-	(296,165)
Transfer to legal reserve	-	145,950	-	-	-	-	-	(145,950)	-	-	-
Transfer to risk reserve	-	-	-	116,131	-	-	-	(116,131)	-	-	-
Change in other reserves, net	-	-	-	-	-	-	98,011	(98,011)	-	-	-
Change in ownership stake (note 23)	-	-	-	-	-	-	-	-	-	(16,971)	(16,971)
Balance at 31 December 2015	3,000,000	2,097,700	(38,349)	616,776	(15,430)	1,002	426,951	705,976	6,794,626	30,242	6,824,868

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

BARWA BANK Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

QAR '000s

For the year ended 31 December	Note	2016	2015
Cash flows from operating activities			
Net profit for the year		**738,802**	728,017
Adjustments for:			
Impairment loss on financing assets		**116,921**	65,460
Impairment loss on investment securities	11	**8,608**	72,898
Depreciation	14	**33,711**	33,759
Employees' end of service benefits provision	20.1	**15,657**	13,288
Net gain on sale of investment securities	25	**(4,863)**	(22,378)
Dividend income	25	**(59,073)**	(49,039)
Share of results of associates and joint ventures	12	**(5,078)**	13,133
Gain on disposal of fixed assets		**(153)**	(140)
Profit before changes in operating assets and liabilities		**844,532**	854,998
Change in reserve account with Qatar Central Bank		**(171,968)**	(190,713)
Change in due from banks		**149,668**	361,962
Change in financing assets		**(1,397,782)**	(5,312,511)
Change in other assets		**17,288**	(116,823)
Change in due to banks		**(3,899,858)**	2,854,976
Change in customer current accounts		**(158,106)**	120,188
Change in other liabilities		**(210,346)**	135,536
		(4,826,572)	(1,292,387)
Dividends received	25	**59,073**	49,039
Employees' end of service benefits paid	20.1	**(8,464)**	(4,879)
Net cash used in operating activities		**(4,775,963)**	(1,248,227)
Cash flows from investing activities			
Disposal /(Acquisition) of investment securities		**862,266**	(1,264,275)
Disposal /(Acquisition) of associates and joint ventures, net		**7,203**	(49,170)
Acquisition of fixed assets	14	**(13,406)**	(30,754)
Proceeds from sale of fixed assets		**736**	1,204
Net cash from/(used in) investing activities		**856,799**	(1,342,995)
Cash flows from financing activities			
Change in unrestricted investment accounts		**4,670,835**	3,486,223
Dividends paid		**(296,165)**	(296,165)
Net cash from financing activities		**4,374,670**	3,190,058
Net increase in cash and cash equivalents		**455,506**	598,836
Cash and cash equivalents at 1 January		**1,749,566**	1,150,730
Cash and cash equivalents at 31 December	34	**2,205,072**	1,749,566

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

QAR '000s

For the year ended 31 December 2016

	At 1 January 2016	Movements during the year					At 31 December 2016
	Total value	Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent	Total value
Discretionary Portfolio Management	198,985	(98,506)	1,941	1,538	-	-	103,958
Other Restricted Wakalas	105,950	-	-	-	-	-	105,950
	304,935	(98,506)	1,941	1,538	-	-	209,908

For the year ended 31 December 2015

	At 1 January 2015	Movements during the year					At 31 December 2015
	Total value	Investment / (withdrawal)	Revaluation	Gross Income	Dividends paid	Group's fee as an agent	Total value
Discretionary Portfolio Management	253,903	(38,563)	(10,980)	-	(3,789)	(1,586)	198,985
Other Restricted Wakalas	105,946	4	-	-	-	-	105,950
	359,849	(38,559)	(10,980)	-	(3,789)	(1,586)	304,935

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

As at and for the year ended 31 December 2016 QAR '000s

1. REPORTING ENTITY

Barwa Bank (the "Bank") was incorporated as a Qatari Shareholding Company in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). The Bank commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2007. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 5 branches in Doha, State of Qatar.

The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in investing, financing and advisory activities in accordance with Islamic Shari'a principles as determined by the Shari'a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

The Bank is owned 20.36% by General Retirement and Social Insurance Authority, 20.36% by Military Pension Fund (Qatar), 12.13% by Qatar Holding, the strategic and direct investment arm of Qatar Investment Authority being the sovereign wealth fund of the State of Qatar; with remaining shares are owned by several individuals and corporate entities.

The Bank and two other local banks, namely Masraf Al Rayan Q.P.S.C. and International Bank of Qatar Q.S.C., announced on 19 December 2016 that they have entered into initial negotiations regarding a potential merger of the three banks. The potential merger is subject to the approval of the Qatar Central Bank ("QCB"), the QFMA, the Ministry of Economy and Commerce and other relevant official bodies in the State of Qatar, and the approval of the shareholders in each of the three banks after completion of a detailed legal and financial due diligence. If the merger is approved, the new merged entity will maintain all its dealings in compliance with Shari'a principles.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Date of Acquisition / incorporation	Percentage of ownership 2016	2015
The First Investor P.Q.S.C. ("TFI")	Qatar	13 December 2009	100%	100%
First Finance Company P.Q.S.C. ("FFC")	Qatar	12 July 2010	100%	100%
First Leasing Company P.Q.S.C ("FLC")	Qatar	13 July 2010	100%	100%
TFI GCC Equity Opportunities Fund	Qatar	31 October 2012	75%	69%
BBG Sukuk limited	Cayman Islands	30 April 2015	-	-

(i) TFI provides a full range of investment banking products and services that comply with Shari'a principles.

(ii) FFC is engaged in Shari'a compliant financing activities in accordance with its Articles of Association and QCB regulations.

(iii) FLC is primarily engaged in the Islamic leasing business.

(iv) TFI GCC Equity Opportunities Fund is an open end fund founded by the Bank and managed by TFI. It invests in marketable equities and debt securities of entities, having Shari'a compliant business model and incorporated in GCC to earn return for its unit holders.

(v) BBG Sukuk Limited was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk financing (issuance) for the benefit of the Bank.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for investments carried at fair value through equity, investments carried at fair value through the income statement, investment property and risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyal ("QAR"), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyal.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, 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 judgments 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 Group entities except the adoption of new financial accounting standards as detailed in note 3 (y).

(a) Basis of consolidation

(i) Business combinations

Accounting for business combinations only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business Combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

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

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

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

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

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by: (a) accounting for financial assets and liabilities at their fair value at the acquisition date; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Subsidiaries

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

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in owners' equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.

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

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

(iv) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) **Basis of consolidation (continued)**

(v) **Associates and joint ventures**

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

Joint Ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures 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 associate). The Bank's investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

Intergroup gains on transactions between the Bank and its associates and joint ventures are eliminated to the extent of the Bank's interest in the associates and joint ventures. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses in associates and joint ventures are recognised in the consolidated income statement. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group.

(b) **Foreign currency transactions and balances**

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

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 consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) **Foreign currency transactions and balances (Continued)**

Foreign currency differences are generally recognised in consolidated income statement. However, foreign currency differences arising from the translation of the following items are recognized in consolidated statement of changes in equity:

-Fair value through equity investments (except on impairment, in which case foreign currency differences that have been recognized in consolidated statement of changes in equity are reclassified to consolidated income statement);
-A financial liability designated as a hedge of net investment in a foreign operation to the extent that the hedge is effective.

Foreign operations
The assets and liabilities of foreign operations are translated into Qatari Riyal at the rate of exchange prevailing at the reporting date and their income statement is translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on the translation are recognised in consolidated statement of changes in equity. On disposal of a foreign operation, the component of consolidated statement of changes in equity relating to that particular foreign operation is recognised in the consolidated income statement.

Hedge of a net investment in foreign operation
The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Company's functional currency.

To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in consolidated statement of changes in equity and accumulated in the foreign currency translation reserve. Any remaining differences are recognised in consolidated income statement. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to consolidated income statement as part of the gain or loss on disposal.

(c) **Investment securities**
Investment securities comprise investments in debt-type and equity-type financial instruments.

(i) **Classification**
Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Debt-type instruments
Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through income statement.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

(i) Classification (continued)

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Equity-type instruments

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Bank makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

(ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are de-recognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated income statement.

Subsequent measurement

Investments at fair value through income statement are re-measured at fair value at the end of each reporting period and the resultant re-measurement gains or losses is recognised in the consolidated income statement in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amoritisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

(iii) Measurement (continued)

Investments at fair value through equity are re-measured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in owners' equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated income statement.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

(iv) Measurement principles

Amortised cost measurement

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

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing bid price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions Chapter VII, Section D, Para 3/2/1, the Bank applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Mudaraba

Mudaraba financing are partnerships in which the Group contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisna'a

Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities including sukuk financing on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through income statement, transaction costs that are directly attributable to its acquisition or issue.

(ii) De-recognition of financial assets and financial liabilities

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition 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 consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

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

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

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of financial assets

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

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through equity.

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated income statement, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

(g) 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 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 are carried at amortised cost in the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Investment property

Properties held for rental or for capital appreciation purpose are classified as investment property and are measured at fair value with any change therein recognised in equity within the fair value reserve. All other investment properties are measured at cost less accumulated depreciation and impairment losses.

(i) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position and any resulting gain or loss is recognised in the consolidated income statement.

(j) Fixed assets

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

Buildings	20 years
IT Equipment (hardware/software)	3-5 years
Fixtures, fittings and office equipment	4-7 years
Motor vehicles	5-7 years

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

(k) Intangible assets

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition goodwill is measured at cost less accumulated impairment losses.

Intangible assets other than goodwill are amortised over their useful lives, and carried net of accumulated amortisation and impairment losses. Useful life of intangible assets are as follows:

Identifiable intangibles	3-5 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) **Impairment of non-financial assets**

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

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

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

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

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

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

(m) **Customer current accounts**

Balances in current accounts are recognised when received by the Bank. The transactions are measured as the amount received by the Bank at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Equity of investment account holders

Equity of investment account holders is funds held by the Group, which it can invest at its own discretion. The investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Bank charges a management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the investment accounts. Investment accounts are carried at their book values (amortised cost).

(o) Distribution of profit between equity of investment account holders and owners

The Bank complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and owners.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Bank's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Bank due to non-compliance with QCB regulations and instructions, then such expenses or loss shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the year-end are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(p) Provisions

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

Defined contribution plans

The Group 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 within the staff cost under note 26 in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit scheme

The Group provides for employees end of service benefits determined in accordance with the requirements of Qatar Labour law pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date.

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.

(r) Revenue recognition

Murabaha and Musawama

Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when it is actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated income statement on declaration by the Mudarib.

Ijara

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

Istisna'a

Revenue and the associated profit margin are recognised in the Group's consolidated income statement according to the percentage of completion method.

Wakala

Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

Income from investment banking services
Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income
Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

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

(s) 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 net profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the net profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(t) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(u) 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.

(v) Earnings prohibited by Shari'a

The Bank is committed to avoid recognising any income generated from non-Islamic sources. Accordingly, all non-Islamic income is credited to a charity account, the Bank reserve these funds for charitable purposes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) **Taxation**
The Group is currently exempt from income tax. However, the Bank and certain subsidiaries of the Group that meet the Tax Law criteria are required to file income tax returns with the Public Revenues and Taxes department.

(x) **Financial information of the parent**
A statement of financial position and income statement of the Parent as disclosed at the end of the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

(y) **Financial guarantees**
In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit and guarantees.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "fee and commission income".

(z) **New standards and interpretations**
New standards, amendments and interpretations effective from 1 January 2016

Financial Accounting Standard No. 27 (FAS 27): Investment Accounts
FAS 27 updates and replaces previous accounting standards relating to investment accounts – FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent

This standard applies to investment accounts based on Mudaraba contracts which represent "equity of investment accountholders and on Mudaraba contracts that are placed on "short-term basis" (overnight, seven days, one month basis) by other financial institutions as "interbank-bank deposits" for the purpose of liquidity management. However, it is not applicable to own equity instruments, wakala contracts, reverse murabaha, musharaka or sukuk.

During the year, the Group applied FAS 27 as it is effective from financial periods beginning from 1 January 2016. Accordingly, adoption of FAS 27 did not have a significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) **New standards and interpretations (continued)**

New standards, amendments and interpretations issued but not yet effective (continued)

International Financial Reporting Standard No. 9 (IFRS 9): Financial Instruments

The final version of IFRS 9 was issued in July 2014, replacing the earlier versions of introducing new classification and measurement requirements (issued in 2009 and 2010) and a new hedge accounting model (issued in 2013) and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The application of IFRS 9 may have significant impact on amounts reported in the consolidated financial statements and will result in more extensive disclosures in the consolidated financial statements. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with IFRS 9 and regulatory requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

(za) **Share capital and reserves**

Dividends on ordinary shares

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

(zb) **Sukuk financing**

Financing raised under Sukuks program are recognised at amortised cost and disclosed as a separate line in the consolidated financial statements as "Sukuk financing". Profits are recognised periodically till maturity. Sukuk financing bears variable profit rate which is fixed on semi-annual basis along with the profit payment.

(zc) **Restricted investment accounts**

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Group as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Group in the consolidated financial statements

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Group's business involves taking on 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.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risks and operational risk.

Risk Management Structure

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

Risk Management and Compliance Committee

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

Credit Committee

The Board of Directors has delegated authority to Credit Committee to approve, sub-delegate, direct, monitor and reviews the Group's financing activities, within specified limits, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

The Credit Committee is the highest level of executive credit approval authority in the Group and is responsible for taking credit decisions within its delegated authority, recommending credit policies and future direction of the credit activities in the Group.

Asset Liability Committee (ALCO)

ALCO is responsible for the overall balance sheet management of the Group. ALCO set guidelines for the overall management of the liquidity and profit rate risk. ALCO also determine the borrowing and funding strategy (asset allocation) of the Group in order to maximize the profit and minimize risk.

Operational Risk Committee

The Operational Risk Committee is responsible for managing and overseeing all aspects of operational risk in the Group. The Committee is responsible for the effective implementation of all operational risk policies and standards.

Internal Audit

Risk management processes are audited by the Group Internal Audit function which examines both the adequacy and compliance with the procedures in addition to a specific audit of the Group Risk function itself as per the approved audit plan. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risk through diversification of investments, capital markets, lending and financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or customer (collectively referred as "counterparties"). It is the risk that a loss will be incurred if counterparty defaults or fails to honor a financial obligation that is due. It takes into account both probability of involuntary default, wherein the counterparty does not possess the financial means to repay, and strategic default, wherein counterparty with the ability to repay deliberately defaults.

Credit risk may have the following results:
- Delay in payment obligation;
- Partial loss of the credit exposure; or
- Complete loss of the credit exposure.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk upto a specified limit to its Credit Committee, which is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, compliance with QCB regulations, other applicable legal and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Facilities exceeding a certain threshold require Board of Directors approval;
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of financial risk;
- Limiting geographical exposures, concentration risk based on internal and external ratings, exposure limits and QCB guidelines;
- Collateralising the exposures by adequate tangible and intangible collaterals. The types of collaterals obtained include cash, mortgages over real estate properties, pledges over shares and personal/corporate guarantees, as appropriate; and
- Reviewing business units compliance of agreed exposure limits, including those for selected industries, country risk and product types. Regular review of the credit quality of Group's portfolios is performed and appropriate corrective actions are taken when required.

The Group has implemented Moody's Risk Analyst Rating System, in order to effectively monitor credit risk at an obligors level on the Group's portfolio and align capital adequacy to such risks. The system is globally proven and enables the Group to rate credit risk on a more objective basis.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(i) Credit risk measurement

Group regularly analyze the quality of the overall credit portfolio with particular focus on the problem credits and the remedial management process.

This include:

- Transaction level review
- Obligor level review
- Portfolio based review
- Exception based review.

Credit review and Credit Administration units are responsible to ensure that all financing activity is undertaken within the approved framework and any deviations are promptly detected, reported and followed up for remedial action.

Credit portfolio management

Objective and responsibility

Portfolio management is an integral part of the credit process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. It does so by incorporating portfolio strategy and planning, performance assessment and reporting functions into one comprehensive management process.

Group is responsible for carrying out the activities in relation to credit risk portfolio management by seeking information from different business units on a regular basis to perform this function. The portfolio analyst undertakes the review, monitoring and control of limits structures based on the portfolio diversification parameters. Further, it prepares portfolio studies and periodic sector/ regional exposure information for management review.

Portfolio diversification

The Bank takes into consideration the following parameters to assess the diversification of the credit portfolio across:

- Group exposure limits
- Industry/ sector exposure limits
- Country exposure limits
- Product exposure limits
- Exposure to a particular credit risk mitigant

Stress testing of credit portfolio

The Group follows a rigorous and forward looking stress testing procedure (in line with pillar 2 requirements of Basel II Accord as well as taking into consideration QCB guidelines) that identifies possible events or changes in market conditions (or risk factors) that could adversely impact the Group. This requires foreseeing situations under hypothetical scenarios considering the question 'what-if' and development of stress tests in such scenarios. This enables the Group to be well equipped to cope with the crisis situations when they arise. Risk function has the responsibility of conducting periodic stress testing of the credit portfolio.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)
(i) Credit risk measurement (continued)

The stress-testing program of the Group involves the following steps:

- Capturing reliable data (accuracy and timeliness)
- Identification of risk factors that have an impact on the portfolio value. The different categories of risk factors used by the Group are:
    a. Obligor rating
    b. Environment (industry, economic, political, real estate prices, etc.)
    c. Model (assumptions, holding period, etc.)
    d. Analytics (correlation, transition matrices, etc.)
- Construction of stress tests on the basis of single factor or multi-factor scenarios
- Deciding magnitude of factor shock
- Running stress tests
- Reporting results of stress tests
- Assessing the impact of abovementioned results on capital adequacy of the Group
- Reassessing the relevance of stress tests on yearly basis.

Credit risk management information system (MIS)

Information on all elements of the Group's risk asset portfolio, and most particularly on irregular accounts and on those displaying characteristics of deterioration, are readily available with the concerned staff. Reports are thoroughly scrutinized and, where indicated, triggers appropriate response from the department concerned.

(ii) Risk limit control and mitigation policies

The Group has processes in place for mitigating credit risk which mainly include processes for credit Initiation, credit standards, collateral management and large exposure management.

Collateral

The Group secures credit exposures through a variety of collaterals including cash margins, lien on fixed deposits, real estate and marketable securities. Independent valuation of real estate collaterals are obtained periodically to determine collateral coverage. The value of marketable securties is constantly monitored to determine whether any replenishments /disposals are required.

Financing limits (for risk management instrument and financing books)

The Group has defined limits by counterparty, borrowing group, country, Board of Directors, subsidiaries and affliates. Exposures against these limits are monitored and any breach is reported to the Board through Risk Management and Compliance Committee.

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

	2016	2015
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with Qatar Central Bank	1,410,628	1,244,008
Due from banks	2,696,054	2,403,836
Financing assets	29,778,499	28,497,638
Investment securities – debt type	9,102,776	10,085,986
Other assets	269,866	276,314
	43,257,823	42,507,782

	2016	2015
Other credit risk exposures are as follows:		
Guarantees	7,506,984	6,699,523
Letters of credit	2,471,374	2,596,110
Unutilised credit facilities	10,835,574	12,404,330
	20,813,932	21,699,963

The above tables represent a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

(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 categorised by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

2016	Qatar	Other GCC	Europe	Others	Total
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	1,410,628	-	-	-	1,410,628
Due from banks	1,049,028	940,870	13,265	692,891	2,696,054
Financing assets	22,028,206	3,268,218	3,428,882	1,053,193	29,778,499
Investment securities – debt type	8,610,008	199,673	7,601	285,494	9,102,776
Other assets	214,916	34,717	19,929	304	269,866
	33,312,786	4,443,478	3,469,677	2,031,882	43,257,823

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)
(iv) Concentration of risks of financial assets with credit risk exposure (continued)
Geographical sectors (continued)

2015

	Qatar	Other GCC	Europe	Others	Total
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	1,244,008	-	-	-	1,244,008
Due from banks	598,333	86,321	191,667	1,527,515	2,403,836
Financing assets	20,270,470	3,207,200	4,021,535	998,433	28,497,638
Investment securities – debt type	8,923,271	556,102	7,957	598,656	10,085,986
Other assets	141,521	84,659	47,362	2,772	276,314
	31,177,603	3,934,282	4,268,521	3,127,376	42,507,782

2016

Other credit risk exposures	**Qatar**	**Other GCC**	**Europe**	**Others**	**Total**
Guarantees	**6,734,626**	**358,906**	**28,396**	**385,055**	**7,506,983**
Letters of credit	**2,066,432**	**277,209**	**-**	**127,733**	**2,471,374**
Unutilised credit facilities	**10,396,771**	**382,879**	**5**	**55,920**	**10,835,575**
	19,197,829	**1,018,994**	**28,401**	**568,708**	**20,813,932**

2015

Other credit risk exposures	Qatar	Other GCC	Europe	Others	Total
Guarantees	6,010,506	282,709	26,121	380,187	6,699,523
Letter of credit	2,320,472	93,163	-	182,475	2,596,110
Unutilised credit facilities	11,124,678	555,918	14,326	709,408	12,404,330
	19,455,656	931,790	40,447	1,272,070	21,699,963

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) **Credit risk (Continued)**
(iv) **Concentration of risks of financial assets with credit risk exposure (continued)**

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 categorised by the industry sectors of the Group's counterparties.

	Gross exposure 2016	Gross exposure 2015
Funded and unfunded		
Government	14,756,449	14,968,984
Industry and Manufacturing	1,150,798	1,106,503
Commercial	4,307,170	6,774,706
Financial services	4,451,770	4,129,306
Contracting	12,101,430	12,420,267
Real estate	9,843,020	8,920,125
Personal	2,232,936	2,156,501
Services and others	15,228,182	13,731,353
	64,071,755	64,207,745

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation, based on Standard & Poor's ratings (or their equivalent Moody's / Fitch):

	2016	2015
Equivalent grades		
AAA to AA-	16,105,443	15,684,059
A+ to A-	3,553,772	3,370,231
BBB+ to BBB-	383,616	701,621
BB+ to B-	1,043,220	2,315,772
Unrated	42,985,704	42,136,062
	64,071,755	64,207,745

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)
(v) Credit quality

	Financing assets		Due from banks		Investment securities – debt type	
	2016	2015	**2016**	2015	**2016**	2015
Neither past due nor impaired:						
Investment grade	**20,182,133**	20,077,965	**2,696,054**	2,403,836	**9,102,776**	10,085,986
Standard monitoring	**3,841,609**	6,360,985	**-**	-	**-**	-
Special monitoring	**2,866,196**	-	**-**	-	**-**	-
Carrying amount	**26,889,938**	26,438,950	**2,696,054**	2,403,836	**9,102,776**	10,085,986
Past due but not impaired:						
Investment grade	**1,739,330**	1,074,151	**-**	-	**-**	-
Standard monitoring	**913,211**	965,703	**-**	-	**-**	-
Special monitoring	**235,206**	-	**-**	-	**-**	-
Carrying amount	**2,887,747**	2,039,854	**-**	-	**-**	-
Impaired:						
Substandard	**105,334**	69,140	**-**	-	**-**	-
Doubtful	**28,160**	188,216	**-**	-	**-**	-
Loss	**326,885**	143,832	**-**	-	**-**	-
	460,379	401,188	**-**	-	**-**	-
Less: impairment allowance-specific	**(393,470)**	(356,259)	**-**	-	**-**	-
Less: impairment allowance-collective	**(66,095)**	(26,095)	**-**	-	**-**	-
	814	18,834	**-**	-	**-**	-
Carrying amount – net	**29,778,499**	28,497,638	**2,696,054**	2,403,836	**9,102,776**	10,085,986

Impaired financing assets

Individually impaired financing assets including investment in debt-type securities (other than those carried at fair value through income statement) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and profit due according to the contractual terms of the financing / investment security agreement(s).

Financing assets past due but not impaired

Past due but not impaired financing assets are those for which contractual profit or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

	2016	2015
Upto 30 days	**1,228,883**	1,344,148
31 to 60 days	**1,340,955**	485,493
61 – 90 days	**317,909**	210,213
	2,887,747	2,039,854

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(v) Credit quality (continued)

Renegotiated financing assets

Restructuring 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 judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. As at 31 December 2016, QAR 1,227.7 million (31 December 2015: QAR 120.8 million) of deals were restructured.

(vi) 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 indexes of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgages against the past dues financing assets.

The aggregate fair value of collateral is QAR 41,099.6 million (2015: QAR 32,604.4 million). For 0 day past due QAR 34,336.1 million (2015: QAR 29,267.9 million), past due up to 30 days: QAR 4,582.8 million (2015: QAR 2,252.4 million), past due from 31 to 60 days:QAR 1,758.2 million (2015: QAR 15.2mn), past due from 61 and 90 days: QAR 6.3 million (2015: QAR 117.2 million) and past due from 91 and above days: QAR 416.2 (2015: QAR 951.7) respectively.

(vii) Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when the Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

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 standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 0.9 million (2015: QAR 6.1 million).

(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 risk management instruments etc. Such outflows would deplete available cash resources for client financing, 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 financing 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 Group's approach to managing liquidity is to ensure, as far as possible that it has sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Group's reputation.

The primary objective of liquidity risk management over which the Asset and Liability Committee (ALCO) has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. The ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit mobilization plans are regularly reviewed for consistency with the liquidity policy requirements. A contingency plan is also in place which is reviewed periodically.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policy and procedures are subject to review and approval of the Board of Directors and ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors and ALCO.

(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, other borrowings and commitments maturing within the next month. The Group ratio of liquid assets to customer deposits at the reporting date was 35% (2015: 27%).

A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB. As at 31 December 2016, liquidity ratio as per QCB prescribed method was 113% (31 December 2015: 104%). The mimimum liquidity ratio determined by the QCB is 100%.

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Maturity analysis

Maturity analysis of Group's financial assets and liabilities are prepared on the basis of their contractual maturities. The contractual maturities have been determined on the basis of the remaining period at the statement of financial postion and do not take into account effective maturities as indicated by the Group's deposit retention history.

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2016						
Balances with Qatar Central Bank	1,410,628	40,353	-	-	-	1,370,275
Due from banks	2,696,054	1,992,814	-	444,801	258,439	-
Financing assets	29,778,499	1,198,756	1,829,438	2,583,967	8,701,292	15,465,046
Investment securities – debt type	9,102,776	-	-	435,294	4,983,351	3,684,131
Other assets	269,896	219,597	11,315	38,984	-	-
Total financial assets	43,257,853	3,451,520	1,840,753	3,503,046	13,943,082	20,519,452
Due to banks	5,739,803	3,304,615	735,009	567,006	220,941	912,232
Sukuk financing	2,197,594	-	-	-	2,197,594	-
Customer current accounts	1,590,923	1,590,923	-	-	-	-
Other liabilities	533,436	360,650	155,073	17,635	78	-
Total financial liabilities	10,061,756	5,256,188	890,082	584,641	2,418,613	912,232
Equiy of investment account holders	28,386,614	13,541,821	7,493,430	6,846,720	504,643	-
Total	38,448,370	18,798,009	8,383,512	7,431,361	2,923,256	912,232
Difference	4,809,483	(15,346,489)	(6,542,759)	(3,928,315)	11,019,826	19,607,220

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2015						
Balances with Qatar Central Bank	1,244,008	45,701	-	-	-	1,198,307
Due from banks	2,403,836	1,550,927	183,904	224,485	444,520	-
Financing assets	28,497,638	1,068,034	3,230,328	2,546,967	9,027,015	12,625,294
Investment securities – debt type	10,085,986	-	1,333,803	1,110,326	4,777,426	2,864,431
Other assets	276,314	229,495	25,248	21,571	-	-
Total financial assets	42,507,782	2,894,157	4,773,283	3,903,349	14,248,961	16,688,032
Due to banks	11,837,255	7,380,991	1,274,525	1,207,259	1,245,419	729,061
Customer current accounts	1,749,029	1,749,029	-	-	-	-
Other liabilities	689,269	373,104	207,491	103,179	5,495	-
Total financial liabilities	14,275,553	9,503,124	1,482,016	1,310,438	1,250,914	729,061
Equiy of investment account holders	23,715,779	15,122,036	3,339,167	5,171,986	82,590	-
Total	37,991,332	24,625,160	4,821,183	6,482,424	1,333,504	729,061
Difference	4,516,450	(21,731,003)	(47,900)	(2,579,075)	12,915,457	15,958,971

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)
(iv) Maturity analysis (Financial liabilities and risk management instruments)

	Carrying amount	Gross undisc-ounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2016							
Non-derivative financial liabilities							
Due to banks	5,739,803	6,117,431	3,306,835	736,609	571,212	265,032	1,237,743
Sukuk financing	2,197,594	2,311,729	-	-	-	2,311,729	-
Customer current accounts	1,590,923	1,590,923	1,590,923	-	-	-	-
Other liabilities	533,436	533,436	507,380	26,056	-	-	-
Total liabilities	10,061,756	10,553,519	5,405,138	762,665	571,212	2,576,761	1,237,743
Equity of investment account holders	28,818,656	28,818,656	13,643,863	7,603,430	7,066,720	504,643	-
Risk management instruments							
Risk Management:	55,331						
Outflow		(3,658,369)	(731,825)	(1,108,567)	(1,771,079)	(30,453)	(16,445)
Inflow		3,656,093	731,825	1,108,567	1,768,803	30,453	16,445
	38,825,081	39,374,451	19,049,001	8,366,095	7,640,208	3,081,404	1,237,743

	Carrying amount	Gross undisc-ounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2015							
Non-derivative financial liabilities							
Due to banks	11,837,255	11,879,458	7,386,441	1,277,549	1,223,426	1,262,981	729,061
Customer current accounts	1,749,029	1,749,029	1,749,029	-	-	-	-
Other liabilities	689,269	689,269	373,104	207,491	103,179	5,495	-
Total liabilities	14,275,553	14,317,756	9,508,574	1,485,040	1,326,605	1,268,476	729,061
Equity of investment account holders	23,715,779	23,715,779	15,122,036	3,339,167	5,171,986	82,590	-
Risk management instruments							
Risk Management:	114,149						
Outflow		(5,038,968)	(3,655,747)	(316,996)	(1,043,274)	(21,927)	(1,024)
Inflow		5,153,118	3,760,410	325,146	1,039,626	21,017	6,919
	37,877,183	37,919,385	24,525,947	4,816,057	6,502,239	1,351,976	723,166

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

The Group takes on exposure to market risks, 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 profit 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 profit rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

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 profit rate management of the entity's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type 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 Board of Directors) and for the day-to-day review of their implementation.

The Board of Directors has set risk limits based on different factors including country-wise exposure limits. These limits are closely monitored by senior management and reviewed by ALCO on a regular basis.

(ii) Exposure to market risks – trading portfolios

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). A fully integrated VaR computation system is used by the Group to calculate VaR through historical simulation, analytical and Monte Carlo approaches, which is based upon a 99 percent confidence level assuming a 1-day, 10-day and 30-day holding periods. Taking account of market data from the previous one year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Market Risk limits are set and monitored by the Market Risk Management function endorsed by BOD.The Group uses VaR limits for total market risk and specific foreign exchange, profit rate, equity and other price risks. The overall structure of VaR limits are reviewed by ALCO and approval by the Board of Directors. VaR limits are allocated to trading portfolios

The Group's trading portfolio is comparitively insignificant in size, consist mainly of Equities however, the Group has established policies for VaR measurement to overlook the trends for market risk management. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(iii) Exposure to profit rate risk – non-trading portfolios

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 profit rates. Profit rate risk is managed principally through monitoring profit 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 central Treasury in its day-to-day monitoring activities.

The Islamic Financial Services Board ("IFSB") has issued a document on Risk Management guidelines for Institutions (other than Insurance Institutions) offering only Islamic Financial Service ("IIFS"). This includes sections on 'Rate of Return Risk' and 'Liquidity Risk'. The Group adheres to the guidelines on 'Rate of Return Risk' and 'Liquidity Risk'.

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

	Carrying amount	Less than 3 months	3-12 months	1-5 years	Non-profit rate sensitive	Effective profit rate
2016						
Balances with Qatar Central Bank	1,410,628	-	-	-	1,410,628	-
Due from banks	2,696,054	338,612	364,629	-	1,992,813	1.03%
Financing assets	29,778,499	16,724,643	5,264,940	1,344,408	6,444,508	4.86%
Investment securities-debt type	9,102,776	200,283	-	-	8,902,493	3.53%
	42,987,957	17,263,538	5,629,569	1,344,408	18,750,442	
Due to banks	5,739,803	912,234	-	-	4,827,569	1.43%
Sukuk financing	2,197,594	2,197,594	-	-	-	2.78%
Equity of investment account holders	28,386,614	18,024,302	6,846,720	504,643	3,010,949	2.68%
Consolidated statement of financial position items - Profit rate sensitivity gap	6,663,946	(3,870,592)	(1,217,151)	839,765	10,911,924	
Off-consolidated statement of financial position items	10,835,574	10,661,266	-	-	174,308	4.86%
Cumulative profit rate sensitivity gap	17,499,520	6,790,674	(1,217,151)	839,765	11,086,232	

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)
(iii) Exposure to profit rate risk – non-trading portfolios (continued)

	Carrying amount	Less than 3 months	3-12 months	1-5 years	Non-profit rate sensitive	Effective profit rate
2015						
Balances with Qatar Central Bank	1,244,008	-	-	-	1,244,008	-
Due from banks	2,403,836	158,487	364,364	-	1,880,985	0.50%
Financing assets	28,497,638	13,373,962	5,895,994	2,588,832	6,638,850	4.50%
Investment securities-debt type	10,085,986	121,990	-	-	9,963,996	3.04%
	42,231,468	13,654,439	6,260,358	2,588,832	19,727,839	
Due to banks	11,837,255	1,458,461	454,014	-	9,924,780	1.12%
Equity of investment account holders	23,715,779	15,509,591	5,474,576	-	2,731,612	1.85%
Consolidated statement of financial position items - Profit rate sensitivity gap	6,678,434	(3,313,613)	331,768	2,588,832	7,071,447	
Off-consolidated statement of financial position items	12,404,330	11,798,522	-	-	605,808	4.50%
Cumulative profit rate sensitivity gap	19,082,764	8,484,909	331,768	2,588,832	7,677,255	

Sensitivity analysis

Management monitors sensitivity of the Group's financial assets and liabilities to various standard and Non - standard profit rate scenarios. Standard scenario that is considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in yield curve. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	**10 bp parallel increase**	**10 bp parallel decrease**
2016		
At 31 December	(1,780)	1,780
Average for the year	(800)	800
2015		
At 31 December	179	(179)
Average for the year	1,200	(1,200)

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(iii) Exposure to profit rate risk – non-trading portfolios (continued)

Profit rate movements affect reported equity in the following way:

- retained earnings arising from increases or decreases in net profit and the fair value changes reported in consolidated income statement.

Overall non-trading profit rate risk positions are managed by Treasury & Investments Group (TIG), which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities. The use of risk management instruments to manage profit rate risk.

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

Foreign currency transactions

Foreign exchange risks arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within approved limits established by the Board of Directors.

As at the reporting date the net foreign currency exposures, other than USD which is pegged to the Qatari Riyal, and their respective sensitivities to a 500 bps change was as follows:

Functional currency of the Group entities	2016	2015
Net foreign currency exposure:		
Pounds Sterling	(4,043)	12,079
Euro	208	2,439
Other currencies*	233,740	224,215

	Increase / decrease in profit		Increase / decrease in equity	
5% increase / decrease in currency exchange rate	2016	2015	2016	2015
Pound Sterling	(202)	604	(202)	604
Euro	10	122	10	122
Other currencies	11,687	11,211	11,687	11,211

*Other currencies include net exposure to Other GCC currencies amounting to QAR 232.5 million (2015: QAR 214.5 million)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through income statement and fair value through equity.

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

	2016	2015
5% increase / decrease in QE and other index		
Increase / decrease in profit and loss	4,077	2,839
Increase / decrease in equity	44,570	37,955

The above analysis has been prepared on the assumption that all other variables such as profit 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.

(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)

(e) Operational risks (continued)

The strategy and framework for operational risk management is set by the Operational Risk Committee (ORC) and is implemented consistently across the Group. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework is coordinated by a dedicated and independent team led by an Operational Risk Manager (ORM). This team reports to the Chief Risk Officer (CRO) of the Group. Each business unit has nominated a "Unit Operational Risk Manager (UORM)" who acts as a single point of contact for ORM regarding all Operational Risks for the respective business unit.

The organization has also invested in a state-of-the-art Operational Risk System to create a repository for all Operational risk incidents, losses and near-miss events. There is a robust process for reporting of issues, conducting of root cause analysis (where applicable) and rolling out mitigation plans to avoid recurrence of the issues.

(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 owners' 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 of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB.

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

	2016	2015
Tier 1 capital	**5,372,086**	5,109,557
Tier 2 capital	**412,180**	360,569
Total regulatory capital	**5,784,266**	5,470,126

Eligible capital (numerator in Capital Adequecy Ratio) consists of Tier 1 and Tier 2 capitals

Tier 1 consists of two parts: Common Equity Tier 1 (CET1), and Aditional Tier 1 (AT1)

CET1, is part of Tier 1 capital and is the purest form of capital, which includes share capital, statutory reserves, general reserve, retained earnings, exchange translation reserve and non-controlling interests, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy calculation purposes. The bank deducts intangible assets(including goodwill) and treasury stock from CET1/ Tier1

As at and for the year ended 31 December 2016 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (Continued)
Regulatory capital (continued)

Tier 2 capital, which includes risk reserve that counts up to 1.25% of the risk weighted assets.

The Group is following the standardised approach for credit and market and Basic Indicator approach for operational risk as permitted by the Qatar Central Bank and as per Pillar 1 of Basel 3. Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Qatar Central Bank. The required information is computed and monitored on monthly basis and filed with the regulators on a quarterly basis after getting reviewed by Bank appointed external auditors.

In Addition to Capital standards suggested by Basel 3, the Bank is also calculating leverage ratio at consolidated level which is well above the 3% requirement suggested by BCBS (Basel Committee for Banking Supervision) and QCB. The two liquidity standards (LCR and NSFR) suggested under Basel 3 accord are also fully implemented and complied by the Bank. Furthermore, these liquidity ratios are regularly being monitored by the Bank Group ALCO.

Risk weighted assets and carrying amounts

	2016 Basel III Risk weighted amount	2015 Basel II Risk weighted amount	2016 Carrying amount	2015 Carrying amount
Balances with Qatar Central Bank	-	-	1,410,628	1,244,008
Due to banks	1,209,963	1,396,045	2,696,054	2,403,836
Financing assets	25,311,949	20,223,375	29,778,499	28,497,638
Investment securities	914,205	1,698,408	9,456,880	10,460,201
Investment in associates and joint ventures	449,984	452,088	298,308	299,717
Other assets	572,848	611,024	740,675	759,883
Off balance sheet assets	4,515,413	4,464,604	20,813,932	21,699,963
Total risk weighted assets for credit risk	32,974,362	28,845,544	65,194,976	65,365,246
Risk weighted assets for market risk	2,016,760	1,742,481	891,406	759,105
Risk weighted assets for operational risk	2,305,685	2,313,639	-	-
	4,322,445	4,056,120	891,406	759,105

	2016	2015
Risk weighted assets	37,296,807	32,901,664
Regulatory capital	5,784,266	5,470,126
Risk weighted assets as a percentage of regulatory capital (capital ratio)	15.5%	16.6%

The minimum ratio limit determined by QCB is 12.5% while the current Basel III capital adequacy requirement is 10.5%.

5. USE OF ESTIMATES AND JUDGMENTS

(a) 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.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(ii) Determining 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 significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies

(i) Valuation of financial instruments

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

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies (continued)

(ii) Financial asset and liability classification

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:

In thousands	Level 1	Level 2	Level 3	Total
2016				
Risk management instruments – assets	-	-	55,331	55,331
Investment securities carried at fair value	891,406	-	354,104	1,245,510
	891,406	-	409,435	1,300,841
Risk management instruments – liabilities	-	-	11,519	11,519
	-	-	11,519	11,519
2015				
Risk management instruments – assets	-	-	127,473	127,473
Investment securities carried at fiar value	759,105	-	374,215	1,133,320
	759,105	-	501,688	1,260,793
Risk management instruments – liabilities	-	-	13,324	13,324
	-	-	13,324	13,324

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through income statement, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used. Details of the Group's classification of financial assets and liabilities are given in note 7.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(c) Critical accounting judgments in applying the Group's accounting policies (continued)

(iii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note.

(iv) Useful lives of fixed assets

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

(v) Useful life of intangible assets

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

6. OPERATING SEGMENTS

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

Wholesale Banking	Includes financings, deposits and other transactions and balances with wholesale customers
Personal and Private Banking	Includes financings, deposits and other transactions and balances with retail and private customers
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

As at and for the year ended 31 December 2016 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about operating segments 2016	Wholesale banking	Personal and Private banking	Treasury and Investments division	Investment banking and Asset management	Unallocated	Total
Total income from financing and investing activities	753,763	639,925	392,470	9,268	-	1,795,426
Net fee and commission income	60,719	27,543	(835)	48,066	-	135,493
Foreign exchange gain	4,095	5,799	15,024	-	-	24,918
Other income	20,529	19,142	-	1,571	-	41,242
Share of results of associates and joint ventures	-	-	-	5,078	-	5,078
Total segment revenue	**839,106**	**692,409**	**406,659**	**63,983**	**-**	**2,002,157**
Other material non-cash items:						
Net impairment loss on investment securities	-	-	(8,608)	-	-	(8,608)
Net impairment loss on financing assets	(65,913)	(12,185)	-	-	-	(78,098)
Reportable segment net profit	**290,095**	**276,979**	**135,552**	**36,176**	**-**	**738,802**
Reportable segment assets	**18,893,391**	**12,687,589**	**13,014,866**	**676,604**	**777,230**	**46,049,680**
Reportable segment liabilities	**23,959,606**	**6,689,041**	**8,092,188**	**45,633**	**-**	**38,786,468**

QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

2015	Wholesale banking	Personal and Private banking	Treasury and Investments division	Investment banking and Asset management	Unallocated	Total
Total income from financing and investing activities	692,215	520,330	362,818	(1,793)	-	1,573,570
Net fee and commission income	54,026	27,642	(1,766)	57,373	-	137,275
Foreign exchange gain / (loss)	4,400	2,063	(1,088)	-	-	5,375
Other income	551	9,823	-	5,998	-	16,372
Share of results of associates and joint ventures	-	-	-	(13,133)	-	(13,133)
Total segment revenue	751,192	559,858	359,964	48,445	-	1,719,459
Other material non-cash items:						
Net impairment loss on investment securities	-	-	(67,498)	(5,400)	-	(72,898)
Net impairment loss on financing assets	(13,932)	(7,396)	-	-	-	(21,328)
Reportable segment net profit	362,736	230,763	122,202	12,316	-	728,017
Reportable segment assets	19,558,317	11,308,235	12,870,308	687,528	777,230	45,201,618
Reportable segment liabilities	21,678,441	4,567,124	12,048,170	83,015	-	38,376,750

QAR '000s

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2016					
Cash and balances with Qatar Central Bank	-	-	1,582,534	1,582,534	1,582,534
Due from banks	-	-	2,696,054	2,696,054	2,696,054
Financing assets	-	-	29,778,499	29,778,499	29,778,499
Investment securities:					
- Carried at fair value	81,542	1,163,968	-	1,245,510	1,245,510
- Carried at amortised cost	-	-	9,102,776	9,102,776	9,099,058
Risk management instruments	55,331	-	-	55,331	55,331
	136,873	1,163,968	43,159,863	44,460,704	44,456,986
Due to banks	-	-	5,739,803	5,739,803	5,739,803
Sukuk financing	-	-	2,197,594	2,197,594	2,197,594
Customer current accounts	-	-	1,590,923	1,590,923	1,590,923
Risk management instruments	11,519	-	-	11,519	11,519
	11,519	-	9,528,320	9,539,839	9,539,839
Equity of investment account holders	-	-	28,386,614	28,386,614	28,386,614
	11,519	-	37,914,934	37,926,453	37,926,453

QAR '000s

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2015					
Cash and balances with Qatar Central Bank	-	-	1,396,946	1,396,946	1,396,946
Due from banks	-	-	2,403,836	2,403,836	2,403,836
Financing assets	-	-	28,497,638	28,497,638	28,497,638
Investment securities:					
- Carried at fair value	56,778	1,076,542	-	1,133,320	1,133,320
- Carried at amortised cost	-	-	10,085,986	10,085,986	10,074,648
Risk management instruments	127,473	-	-	127,473	127,473
	184,251	1,076,542	42,384,406	43,645,199	43,633,861
Due to banks	-	-	11,837,255	11,837,255	11,837,255
Customer current accounts	-	-	1,749,029	1,749,029	1,749,029
Risk management instruments	13,324	-	-	13,324	13,324
	13,324	-	13,586,284	13,599,608	13,599,608
Equity of investment account holders	-	-	23,715,779	23,715,779	23,715,779
	13,324	-	37,302,063	37,315,387	37,315,387

As at and for the year ended 31 December 2016 QAR '000s

8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2016	2015
Cash	171,906	152,938
Cash reserve with QCB*	1,370,275	1,198,307
Other balances with QCB	40,353	45,701
	1,582,534	1,396,946

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

9. DUE FROM BANKS

	2016	2015
Current accounts	99,838	1,065,770
Wakala placements with banks	1,669,085	350,676
Mudaraba placements	223,890	134,481
Commodity Murabaha receivable	703,241	852,909
	2,696,054	2,403,836

10. FINANCING ASSETS

(a) By type

	2016	2015
Murabaha	4,015,819	3,617,995
Murabaha commodity	17,695,609	18,233,095
Musawama	1,908,303	2,210,988
Istisna'a	358,867	868,795
Ijarah Muntahia Bittamleek	7,147,457	4,896,103
Cards	47,466	41,430
Acceptances	324,520	448,666
Others	2,936	4,444
Total financing assets	31,500,977	30,321,516
Less: Deferred profit	1,229,266	1,409,839
Provision for impairment on financing assets – Specific	393,470	356,259
Provision for impairment on financing assets – Collective	66,095	26,095
Suspended profit related to non-performing financing assets	33,647	31,685
Net financing assets	29,778,499	28,497,638

The total non-performing financing assets at 31 December 2016 amounted to QAR 460 million, representing 1.5% of the net financing assets (2015: QAR 401 million, representing 1.4%).

As at and for the year ended 31 December 2016 QAR '000s

10. FINANCING ASSETS (CONTINUED)

(a) By type (continued)

	2016	2015
Government	1,174,601	2,909,931
Non-Banking Financial Institutions	-	124,424
Corporate	17,409,974	15,517,883
Retail and Private	12,916,402	11,769,278
	31,500,977	30,321,516
Less: Deferred profit	1,229,266	1,409,839
Provision for impairment on financing assets – Specific	393,470	356,259
Provision for impairment on financing assets – Collective	66,095	26,095
Suspended profit related to non - performing financing assets	33,647	31,685
	29,778,499	28,497,638

(b) Movement in the provision for impairment on financing assets:

	2016	2015
Balance at 1 January	382,354	366,725
Provisions made during the year – Specific	76,921	41,865
Provisions made during the year – Collective	40,000	23,595
Recoveries during the year	(38,823)	(44,132)
	78,098	21,328
Written off during the year	(887)	(5,699)
Balance at 31 December	459,565	382,354
Break down as below:		
Provision for impairment on financing assets – Specific	393,470	356,259
Provision for impairment on financing assets – Collective	66,095	26,095

(c) Movement in the suspended profit on non performing financing assets:

	2016	2015
Balance at 1 January	31,685	34,740
Additions during the year	9,887	12,006
Recoveries during the year	(7,925)	(14,631)
	1,962	(2,625)
Written off during the year	-	(430)
Balance at 31 December	33,647	31,685

As at and for the year ended 31 December 2016 QAR '000s

10. FINANCING ASSETS (CONTINUED)

(d) Movement in the provision for impairment and suspended profit on financing assets- sector wise:

	Corporates	**SMEs**	**Retail and Private**	**Total**
Balance at 1 January	**221,398**	**96,896**	**95,745**	**414,039**
Provision made during the year	**79,038**	**21,277**	**26,493**	**126,808**
Recoveries during the year	**(14,028)**	**(14,334)**	**(18,386)**	**(46,748)**
Written off during the year	**(887)**	**-**	**-**	**(887)**
Balance at 31 December 2016	**285,521**	**103,839**	**103,852**	**493,212**

	Corporates	SMEs	Retail and Private	Total
Balance at 1 January	222,133	71,344	107,988	401,465
Provision made during the year	15,841	41,993	19,632	77,466
Recoveries during the year	(16,511)	(10,947)	(31,305)	(58,763)
Written off during the year	(65)	(5,494)	(570)	(6,129)
Balance at 31 December 2015	221,398	96,896	95,745	414,039

(e) By sector

	2016	2015
Government	**1,174,601**	2,909,931
Industry and Manufacturing	**754,942**	705,466
Commercial	**6,533,270**	5,148,854
Financial institutions	**-**	124,424
Contracting	**2,819,483**	2,040,012
Real estate	**8,385,849**	7,071,850
Personal	**2,791,057**	2,531,682
Services	**7,963,942**	8,339,013
Others	**1,077,833**	1,450,284
Total financing assets	**31,500,977**	30,321,516
Less: Deferred profit	**1,229,266**	1,409,839
Provision for impairment on financing assets – Specific	**393,470**	356,259
Provision for impairment on financing assets – Collective	**66,095**	26,095
Suspended profit related to non performing financing assets	**33,647**	31,685
Net financing assets	**29,778,499**	28,497,638

The sector wise breakup include financing to Government sector entities amounting to QAR 765 million (31 December 2015: QAR 969 million).

As at and for the year ended 31 December 2016 QAR '000s

11. INVESTMENT SECURITIES

	2016 Quoted	2016 Unquoted	2016 Total	2015 Quoted	2015 Unquoted	2015 Total
Investments classified as fair value through income statement						
- Investments classified as held for trading:						
• debt-type investments	-	-	-	10,910	-	10,910
• equity-type investments	81,542	-	81,542	45,868	-	45,868
	81,542	-	81,542	56,778	-	56,778
Debt-type investments classified at amortised cost						
- Fixed rate*	1,537,694	7,364,799	8,902,493	2,520,193	7,443,803	9,963,996
- Floating rate	-	200,283	200,283	121,990	-	121,990
	1,537,694	7,565,082	9,102,776	2,642,183	7,443,803	10,085,986
Equity-type investments classified as fair value through equity	809,864	354,104	1,163,968	702,327	374,215	1,076,542
	2,429,100	7,919,186	10,348,286	3,401,288	7,818,018	11,219,306

* Investments in unquoted debt-type instruments classified at amortised cost represent investments in the Qatar Government securities.

The carrying amount of the debt-type investments pledged under repurchase agreements amounted to QAR 1,180 million (2015: QAR 1,744 million).

The cumulative change in fair value of equity-type investments designated as fair value through equity, during the year is as follows:

	2016	2015
Balance at 1 January	(15,430)	(129)
Net change in fair value	(5,762)	(87,166)
Share of associates and joint venture fair value changes (note 12)	1,611	(1,691)
Transferred to consolidated income statement on impairment	8,608	72,898
	4,457	(15,959)
Appropriated to equity of investment account holders (note 21)	(347)	658
Net change in fair value reserve during the year	4,110	(15,301)
Balance at 31 December	(11,320)	(15,430)

As at 31 December 2016, the cumulative positive and negative balances in the fair value reserve are QAR 23.3 million (31 December 2015: QAR 26.4 million) and QAR 34.7 million (31 December 2015: QAR 41.8 million). During the year, QAR 8.6 million (2015: QAR 72.9 million) was transferred to income statement from negative fair value reserve.

As at and for the year ended 31 December 2016 QAR '000s

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2016	2015
Balance at 1 January	299,717	266,185
Investments acquired during the year	-	51,030
Share of results	5,078	(13,133)
Cash dividend	(1,805)	(1,989)
Share of associates and joint venture fair value changes	1,611	(1,691)
Share of associates currency translation reserve (12a)	(6,294)	(814)
Other movements	1	129
Balance at 31 December	**298,308**	299,717

Name of the Associates and Joint Ventures	Activities	Country	Ownership %		Amount in QAR'000	
			2016	2015	2016	2015
Emdad Equipment Leasing Company Qatar W.L.L. (Emdad)	Machinery and equipment leasing	Qatar	39.2%	39.2%	31,216	31,216
TFI-Investra UK Property Income Fund (TFI-Investra)	Real estate	UK	19.67%	19.67%	21,425	27,925
TFI-Tanween Investment Company (Tanween Inv.)	Real estate	Qatar	50%	50%	32,849	31,253
Juman Village	Real estate	Saudi Arabia	27.7%	27.7%	24,150	24,393
Tanween W.L.L. (Tanween)	Real Estate development management	Qatar	48.0%	48.0%	152,775	149,812
Shatter Abbas	Restaurant	Qatar	49%	49%	35,893	35,118
Total					298,308	299,717

The financial position, revenue and results of significant associates and joint ventures based on latest financial statements, as at and for the year ended 31 December 2016 are as follows:

31 December 2016	TFI-Investra	Shatter Abbas	Emdad	Tanween	Juman Village	Tanween Inv.
Total assets	229,940	15,039	129,081	377,277	167,280	65,700
Total liabilities	114,166	14,013	41,455	72,922	80,638	-
Total revenue	13,467	43,272	89,869	102,710	8	3,226
Net profit	8,090	1,582	6,578	2,816	(1,465)	3,181
Share of profit	1,605	775	-	1,351	(243)	1,590

31 December 2015	TFI-Investra	Shatter Abbas	Emdad	Tanween	Juman Village	Tanween Inv.
Total assets	221,604	15,466	127,667	409,987	146,028	63,109
Total liabilities	79,634	10,197	46,617	111,970	57,892	18,815
Total revenue	11,388	46,124	66,746	107,159	7	3,361
Net profit	7,577	4,668	1,498	(38,281)	(826)	3,095
Share of profit	1,528	2,288	-	(18,369)	(128)	1,548

As at and for the year ended 31 December 2016 QAR '000s

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Foreign currency translation reserve

	2016	2015
Balance at 1 January	1,002	1,816
Share of associates foreign currency translation reserve changes	(1,084)	(814)
Share of associate foreign currency translation reserve changes designated as net investment hedge	(5,210)	-
Gain on foreign currency revaluation of liability designated as net investment hedge	5,399	-
Net investment hedge*	189	-
Balance at 31 December	107	1,002

	2016	2015
Share of associates foreign currency translation reserve changes	(1,084)	(814)
Share of associate foreign currency translation reserve changes designated as net investment hedge	(5,210)	-
	(6,294)	(814)

Net Investment Hedge
The Group hedges part of the currency risk of its net investment in foreign operations using foreign currency borrowings. Included in due to banks at 31 December 2016 was borrowing of GBP 5.0 million designated as a hedge of Group's net investment in foreign operations, and is being used to hedge the Group's exposure to foreign exchange risk. At the end of reporting period, the net investment hedge was highly effective.

13. INVESTMENT PROPERTIES

The carrying amount of investment property as of 31 December 2016 is QAR 4.662 million (2015: QAR 4.662 million). The fair value of the investment properties is not materially different from the carrying amount as of the reporting date.

As at and for the year ended 31 December 2016 QAR '000s

14. FIXED ASSETS

	Land and Buildings	IT Equipment	Fixtures, Fittings and office equipment	Motor Vehicles	Total
Cost					
Balance at 1 January 2015	197,381	118,057	160,049	15,440	490,927
Acquisitions	-	16,605	6,372	7,777	30,754
Reclassification/Transfers	-	458	(458)	-	-
Disposals	-	(20)	(20)	(1,556)	(1,596)
Balance at 31 December 2015	197,381	135,100	165,943	21,661	520,085
Balance at 1 January 2016	**197,381**	**135,100**	**165,943**	**21,661**	**520,085**
Acquisitions	-	**6,471**	**6,166**	**769**	**13,406**
Reclassification/Transfers	-	-	-	-	-
Disposals	-	**(5)**	-	**(1,136)**	**(1,141)**
Balance at 31 December 2016	**197,381**	**141,566**	**172,109**	**21,294**	**532,350**
Accumulated depreciation and impairment losses					
Balance at 1 January 2015	5,835	69,541	141,586	2,166	219,128
Depreciation charged during the year	757	21,294	7,792	3,916	33,759
Reclassification/Transfers	-	427	(427)	-	-
Disposals	-	(20)	(20)	(492)	(532)
Balance at 31 December 2015	6,592	91,242	148,931	5,590	252,355
Balance at 1 January 2016	**6,592**	**91,242**	**148,931**	**5,590**	**252,355**
Depreciation charged during the year	**757**	**23,735**	**4,925**	**4,294**	**33,711**
Reclassification/Transfers	-	-	-	-	-
Disposals	-	**(5)**	-	**(553)**	**(558)**
Balance at 31 December 2016	**7,349**	**114,972**	**153,856**	**9,331**	**285,508**
Carrying amounts					
Balance at 31 December 2015	190,789	43,858	17,012	16,071	267,730
Balance at 31 December 2016	**190,032**	**26,594**	**18,253**	**11,963**	**246,842**

As at and for the year ended 31 December 2016 QAR '000s

15. INTANGIBLE ASSETS

	2016	2015
Goodwill		
Balance at 1 January 2016	777,230	777,230
Impairment allowance*	-	-
Balance at 31 December 2016	777,230	777,230

**Impairment testing for cash-generating unit containing goodwill*

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU carried out at the year-end did not result in any impairment.

16. OTHER ASSETS

	2016	2015
Accrued profit	156,974	107,042
Prepayments and advances	17,046	33,288
Operating lease receivables	1,561	2,047
Positive fair value of risk management instruments	55,331	127,473
Sundry debtors	3,862	8,291
Projects under process	14,579	12,764
Others	68,337	44,682
	317,690	335,587
Provision for impairment	(425)	(1,034)
	317,265	334,553

17. DUE TO BANKS

	2016	2015
Current accounts	1,227	4
Commodity Murabaha payable*	1,133,176	2,133,382
Wakala payable	4,605,400	9,703,869
	5,739,803	11,837,255

*This includes amount held under repurchase agreements amounting to QAR 951mn (2015: QAR 1,497mn).

18. SUKUK FINANCING

During 2016, through Sharia'a compliant USD sukuk program and after getting Sharia'a Board approval, the Bank raised medium term funding equivalent to QAR 2,198 million (2015: Nil) with maturities varying from 2018 (the equivalent of QAR 1,362 million) to 2019 (the equivalent QAR 836 million). It bears average profit rate of three months LIBOR + 1.74%. The sukuk program is listed on the Irish Stock Exchange.

As at and for the year ended 31 December 2016 QAR '000s

19. CUSTOMER CURRENT ACCOUNTS

	2016	2015
Current accounts by sector:		
- Government & GREs	**150,603**	84,523
- Non-Banking Financial Institutions	**122,706**	99,371
- Corporate	**1,015,394**	1,201,635
- Individuals	**302,220**	363,500
	1,590,923	1,749,029

20. OTHER LIABILITIES

	2016	2015
Unearned commission income	**85,949**	139,560
Sundry creditors	**45,287**	69,859
Negative fair value of risk management instruments	**11,519**	13,324
Cash margins	**60,988**	75,401
Accrued expenses	**171,131**	174,685
Acceptances	**324,520**	448,666
Employees' end of service benefits (note 20.1)	**65,308**	58,115
Others	**106,832**	95,077
	871,534	1,074,687

20.1 Movement in employees' end of service benefits is as follows:

	2016	2015
Balance at 1 January	**58,115**	49,706
Charge for the year	**15,657**	13,288
Payments made during the year	**(8,464)**	(4,879)
Balance at 31 December	**65,308**	58,115

As at and for the year ended 31 December 2016 QAR '000s

21. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2016	2015
Investment account holders balance before share of profit (a)	28,283,432	23,648,943
Distributable profits to investment account holders for the year (b)	551,329	325,837
Profit already distributed during the year	(446,523)	(257,030)
Profit payable to investment account holders	104,806	68,807
Share in fair value reserve	(1,624)	(1,971)
Total investment account holders balance	28,386,614	23,715,779
By type:		
Saving accounts	2,552,252	2,471,020
Call accounts	458,697	482,387
Term accounts	25,272,483	20,695,536
Total (a)	28,283,432	23,648,943
By sector:		
Government & GREs	14,386,201	14,989,852
Non-banking financial institution	3,345,596	748,406
Retail	3,519,852	2,945,203
Corporate	7,031,783	4,965,482
Total (a)	28,283,432	23,648,943

	2016	2015
Investment account holders' share of profit for the year	651,870	505,977
Bank shares as Mudarib	(619,276)	(480,678)
Owners' contribution	518,735	300,538
	(100,541)	(180,140)
Distributable profits to investment account holders for the year-net return(b)	551,329	325,837
Net return breakup:		
Saving accounts	44,660	37,281
Call accounts	1,936	2,923
Term accounts - 1 month	150,638	104,278
Term accounts - 3 month	134,083	55,301
Term accounts - 6 month	62,218	59,236
Term accounts - 9 month	628	5,045
Term accounts - 12 month	157,166	61,773
Total(b)	551,329	325,837

Movement in share of fair value reserve:

	2016	2015
Balance at 1 January	(1,971)	(1,313)
Share in fair value reserve movement (note 11)	347	(658)
Balance at 31 December	(1,624)	(1,971)

22. OWNERS' EQUITY

(a) Share capital

In thousands of shares	Ordinary shares 2016	2015
In issue at 1 January	**300,000**	300,000
New shares issued	**-**	-
In issue at 31 December	**300,000**	300,000

At 31 December 2016 the authorised share capital comprised 400,000 thousand ordinary shares (2015: 400,000 thousand), having a par value of QAR 10 each share. Out of these 300,000 thousand ordinary shares (2015: 300,000 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No. 13 of 2012 as amended and the Memorandum and Articles of Association of the Bank, 20% of net profit attributable to the owners (equity holders) of the Group for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 11 of 2015 and after QCB approval. During the year ended 31 December 2016 the appropriation made to legal reserve amounts to QAR 147.7 million (2015: QAR 145.9 million).The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law No.11 of 2015.

(c) Risk reserve

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount of the transfer made to the risk reserve was QAR 78.8 million (2015: QAR 127.9 million).

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates and joint ventures is not available for distribution, except to the extent of dividend received from the associates and joint ventures, and should be transferred to a separate reserve account in Owners' equity. Further, the Bank has set aside QAR 100 million (2015: QAR 100 million) as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events on recommendation of the Board of Directors.

	2016	2015
Opening balance	**426,951**	328,940
Share of associates and joint ventures profit	**5,078**	-
Dividend received from associates and joint ventures	**(1,805)**	(1,989)
Contigency reserve	**100,000**	100,000
	103,273	98,011
	530,224	426,951
The balance consists of:		
- Undistributed profit from investments in associates and joint ventures	**130,224**	126,951
- Contigency reserve	**400,000**	300,000

(e) Treasury shares

Treasury shares represent ordinary shares of Barwa Bank with nominal value of QAR 10 each. These shares are carried at cost of QAR 16.8 each. Treasury shares are presented as a deduction from equity.

As at and for the year ended 31 December 2016 QAR '000s

22. OWNERS' EQUITY (CONTINUED)

(f) Proposed dividend

The Board of Directors in their meeting held on 1 February 2017 proposed a cash dividend of 13.5% (2015: 10.0%) of the paid up share capital amounting to QAR 399.8 million – QAR 1.35 per share (2015: QAR 296.2 million – QAR 1.00 per share), which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

23. NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interests in TFI GCC Fund, a Group's subsidiary, founded by the Bank, amounting to 25% (2015: 31%). During the year, non-controlling interests decreased by QAR 7.5 million (2015: QAR 17.0 million).

24. NET INCOME FROM FINANCING ACTIVITIES

	2016	2015
Murabaha	141,676	195,472
Musawama	164,472	196,821
Commodity Murabaha	707,939	529,188
Ijarah	316,033	188,383
Istisna'a	11,654	27,425
Others	51,914	75,691
	1,393,688	1,212,980

25. NET INCOME FROM INVESTING ACTIVITIES

	2016	2015
Coupon income from investment in debt-type instruments, net of amortisation	307,887	262,744
Dividend income	59,073	49,039
Net gain on sale of debt-type investments	6,373	19,399
Net (loss)/gain on sale of equity-type investments	(1,510)	2,979
Income from inter-bank and murabaha placements with Islamic banks	31,909	24,261
Net fair value (loss)/gain on investment securities carried as fair value through income statement	(1,009)	819
Other investments / derivatives related net income	(985)	1,349
	401,738	360,590

26. NET FEE AND COMMISSION INCOME

	2016	2015
Management fee income	53,262	53,112
Commission income	50,446	44,367
Advisory fee income	38,359	40,526
Performance fee income	-	38
Placement fee income	-	4,261
Structuring fee	1,829	4,736
	143,896	147,040
Commission expense	(8,403)	(9,765)
Net fee and commission income	135,493	137,275

QAR '000s

27. STAFF COSTS

	2016	2015
Basic salaries	123,675	127,545
Housing allowance	41,240	42,016
Transport allowance	23,731	24,316
Staff indemnity costs	15,657	13,288
Medical expenses	7,716	8,929
Social Allowance	7,000	7,119
Education fee	9,343	6,838
Others	56,559	61,258
	284,921	291,309

28. OTHER EXPENSES

	2016	2015
Rent	33,631	33,643
Advertising and marketing expenses	9,445	14,906
Utility and services	14,975	16,001
IT expenses	13,144	15,570
Legal and professional fees	8,538	15,456
Government fee and charges	126	547
Travel expenses	879	1,426
Repair and maintenance	3,024	4,526
Board of Directors' remuneration	15,400	15,400
Other expenses	39,603	41,753
	138,765	159,228

29. CONTINGENT LIABILITIES AND COMMITMENTS

		2016	2015
a)	**Contingent liabilities**		
	Unused credit facilities	10,835,574	12,404,330
	Guarantees	7,506,984	6,699,523
	Letters of credit	2,471,374	2,596,110
		20,813,932	21,699,963
b)	**Commitments**		
	Profit rate swaps	278,769	1,549,185
	Options	36,415	36,415
	Other risk management instruments - WAAD	3,603,317	5,012,592
		3,918,501	6,598,192

Unused facilities

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

Guarantees and Letters of credit

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

Lease commitments

The Group leases a number of branches and office premises under operating leases. Non-cancellable operating lease rentals are payable as follows:

	2016	2015
Within one year	28,414	28,457
After one year but not more than five years	35,394	44,306

As at and for the year ended 31 December 2016 QAR '000s

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector
Following is the concentration of assets, liabilities and equity of investment account holders into geographical sectors regions:

2016	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with central bank	1,582,534	-	-	-	-	1,582,534
Due from banks	1,049,028	940,869	13,265	246,627	446,265	2,696,054
Financing assets	22,035,662	3,260,762	3,428,882	-	1,053,193	29,778,499
Investment securities	8,737,832	1,179,201	11,494	231,471	188,288	10,348,286
Investment in associates and joint ventures	252,659	24,224	21,425	-	-	298,308
Investment property	4,662	-	-	-	-	4,662
Fixed assets	246,842	-	-	-	-	246,842
Intangible assets	777,230	-	-	-	-	777,230
Other assets	262,467	34,717	19,929	152	-	317,265
Total assets	34,948,916	5,439,773	3,494,995	478,250	1,687,746	46,049,680

Liabilities and equity of investment account holders

	Qatar	Other GCC	Europe	North America	Others	Total
Liabilities						
Due to banks	3,728,650	974,838	853,887	-	182,428	5,739,803
Sukuk financing	-	-	2,197,594	-	-	2,197,594
Customer current accounts	1,567,282	23,641	-	-	-	1,590,923
Other liabilities	795,422	76,112	-	-	-	871,534
Total liabilities	6,091,354	1,074,591	3,051,481	-	182,428	10,399,854
Equity of investment account holders	27,626,768	522,139	98,511	139,196	-	28,386,614
Total liabilities and equity of investment account holders	33,718,122	1,596,730	3,149,992	139,196	182,428	38,786,468

As at and for the year ended 31 December 2016 QAR '000s

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITYOF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)
Following is the concentration of assets, liabilities and equity of investment account holders into geographical sectors regions:

2015	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with central bank	1,396,946	-	-	-	-	1,396,946
Due from banks	598,332	86,321	191,667	857,337	670,179	2,403,836
Financing assets	20,270,470	3,207,201	4,021,535	-	998,432	28,497,638
Investment securities	9,078,357	1,355,157	11,850	242,390	531,552	11,219,306
Investment in associates and joint ventures	247,325	24,467	27,925	-	-	299,717
Investment property	4,662	-	-	-	-	4,662
Fixed assets	267,730	-	-	-	-	267,730
Intangible assets	777,230	-	-	-	-	777,230
Other assets	199,760	84,659	47,362	-	2,772	334,553
Total assets	32,840,812	4,757,805	4,300,339	1,099,727	2,202,935	45,201,618
Liabilities and equity of investment account holders						
Liabilities						
Due to banks	8,170,583	1,901,736	1,672,442	-	92,494	11,837,255
Customer current accounts	1,734,240	11,267	3,522	-	-	1,749,029
Other liabilities	899,350	148,734	26,603	-	-	1,074,687
Total liabilities	10,804,173	2,061,737	1,702,567	-	92,494	14,660,971
Equity of investment account holders	23,597,762	60,913	35	52,157	4,912	23,715,779
Total liabilities and equity of investment account holders	34,401,935	2,122,650	1,702,602	52,157	97,406	38,376,750

As at and for the year ended 31 December 2016 QAR '000s

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Industrial sector
Following is the concentration of assets, liabilities and equity of investment account holders into industrial sectors regions:

2016	Real estate	Construction, engeering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with Qatar Central Bank	-	-	-	1,582,534	-	-	1,582,534
Due from banks	-	-	-	2,696,054	-	-	2,696,054
Financing assets	8,278,945	2,566,666	355,847	-	2,232,894	16,344,147	29,778,499
Investment securities	348,707	124,373	7,274	955,879	-	8,912,053	10,348,286
Investment in associates and joint ventures	56,999	174,201	-	-	-	67,108	298,308
Investment property	4,662	-	-	-	-	-	4,662
Fixed assets	-	-	-	-	-	246,842	246,842
Intangible assets	-	-	-	777,230	-	-	777,230
Other assets	39,605	3,021	-	56,092	-	218,547	317,265
Total assets	8,728,918	2,868,261	363,121	6,067,789	2,232,894	25,788,697	46,049,680
Liabilities and equity of investment account holders							
Liabilities							
Due to banks	-	-	-	5,739,803	-	-	5,739,803
Sukuk financing	-	-	-	2,197,594	-	-	2,197,594
Customer current accounts	81,482	331,567	119	122,706	302,220	752,829	1,590,923
Other liabilities	1,347	95,065	-	13,721	-	761,401	871,534
Total liabilities	82,829	426,632	119	8,073,824	302,220	1,514,230	10,399,854
Equity of investment account holders	718,933	492,616	365,467	3,343,972	3,519,852	19,945,774	28,386,614
Total liabilities and equity of investment account holders	801,762	919,248	365,586	11,417,796	3,822,072	21,460,004	38,786,468

*Others include stake in Government and Government related entities of QAR 9.8 billion under total assets and QAR 11.5 billion under total liabilities and equity of investment account holders.

As at and for the year ended 31 December 2016 QAR '000s

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector (continued)
Following is the concentration of assets, liabilities and equity of investment account holders into industrial sectors regions:

2015	Real estate	Construction, engeering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with Qatar Central Bank	-	-	-	1,396,946	-	-	1,396,946
Due from banks	-	-	-	2,403,836	-	-	2,403,836
Financing assets	6,608,507	1,908,266	419,256	122,354	2,156,463	17,282,792	28,497,638
Investment securities	521,390	43,425	71,246	1,146,643	-	9,436,602	11,219,306
Investment in associates and joint ventures	52,318	181,065	-	-	-	66,334	299,717
Investment property	4,662	-	-	-	-	-	4,662
Fixed assets	-	-	-	-	-	267,730	267,730
Intangible assets	-	-	-	777,230	-	-	777,230
Other assets	2,035	42	427	131,414	-	200,635	334,553
Total assets	7,188,912	2,132,798	490,929	5,978,423	2,156,463	27,254,093	45,201,618
Liabilities and equity of investment account holders							
Liabilities							
Due to banks	-	-	-	11,837,255	-	-	11,837,255
Customer current accounts	162,419	589,044	1,277	99,371	363,500	533,418	1,749,029
Other liabilities	38,956	107,616	17,624	19,429	-	891,062	1,074,687
Total liabilities	201,375	696,660	18,901	11,956,055	363,500	1,424,480	14,660,971
Equity of investment account holders	345,499	669,599	528,593	748,407	2,945,203	18,478,478	23,715,779
Total liabilities and equity of investment account holders	546,874	1,366,259	547,494	12,704,462	3,308,703	19,902,958	38,376,750

*Others include stake in Government and Government related entities of QAR 11.6 billion under total assets and QAR 12.0 billion under total liabilities and equity of investment account holders.

As at and for the year ended 31 December 2016 QAR '000s

32. MATURITY PROFILE

2016	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with Qatar Central Bank	212,259	-	-	-	1,370,275	1,582,534
Due from banks	1,992,813	-	444,801	258,440	-	2,696,054
Financing assets	3,028,195	1,256,174	1,327,792	3,559,859	20,606,479	29,778,499
Investment securities	1,016,553	100,000	200,283	3,715,322	5,316,128	10,348,286
Investment in associates and joint ventures	-	-	-	-	298,308	298,308
Investment property	-	-	-	-	4,662	4,662
Fixed assets	-	-	-	-	246,842	246,842
Intangible assets	-	-	-	-	777,230	777,230
Other assets	270,832	16,341	30,092		-	317,265
Total financial assets	6,520,652	1,372,515	2,002,968	7,533,621	28,619,924	46,049,680

Liabilities and equity of investment account holders

Liabilities

	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Due to banks	4,039,626	372,898	194,108	220,941	912,230	5,739,803
Sukuk financing	-	-	-	2,197,594	-	2,197,594
Customer current accounts	1,590,923	-	-	-	-	1,590,923
Other liabilities	741,038	29,509	12,381	43,571	45,035	871,534
Total liabilities	6,371,587	402,407	206,489	2,462,106	957,265	10,399,854
Equity of investment account holders	21,035,252	1,737,671	5,109,048	141,946	362,697	28,386,614
Total liabilities and equity of investment account holders	27,406,839	2,140,078	5,315,537	2,604,052	1,319,962	38,786,468
Maturity gap	(20,886,187)	(767,563)	(3,312,569)	4,929,569	27,299,962	7,263,212

As at and for the year ended 31 December 2016 QAR '000s

32. MATURITY PROFILE (CONTINUED)

2015	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with Qatar Central Bank	198,639	-	-	-	1,198,307	1,396,946
Due from banks	1,550,927	183,904	224,485	444,520	-	2,403,836
Financing assets	1,455,145	3,992,744	1,397,815	3,607,530	18,044,404	28,497,638
Investment securities	1,390,581	514,604	595,722	2,919,825	5,798,574	11,219,306
Investment in associates and joint ventures	-	-	-	-	299,717	299,717
Investment property	-	-	-	-	4,662	4,662
Fixed assets	-	-	-	-	267,730	267,730
Intangible assets	-	-	-	-	777,230	777,230
Other assets	255,634	50,321	1,652	6,380	20,566	334,553
Total financial assets	4,850,926	4,741,573	2,219,674	6,978,255	26,411,190	45,201,618
Liabilities and equity of investment account holders						
Liabilities						
Due to banks	8,655,516	639,563	567,696	1,245,419	729,061	11,837,255
Customer current accounts	1,749,029	-	-	-	-	1,749,029
Other liabilities	711,006	135,382	65,626	47,418	115,255	1,074,687
Total liabilities	11,115,551	774,945	633,322	1,292,837	844,316	14,660,971
Equity of investment account holders	18,391,202	1,397,546	3,844,441	82,590	-	23,715,779
Total liabilities and equity of investment account holders	29,506,753	2,172,491	4,477,763	1,375,427	844,316	38,376,750
Maturity gap	(24,655,827)	2,569,082	(2,258,089)	5,602,828	25,566,874	6,824,868

As at and for the year ended 31 December 2016 QAR '000s

33. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit for the year attributable to the owners of the Group by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Net profit for the year attributable to the owners of the Group	**738,286**	729,748
Weighted average number of outstanding shares	**296,165**	296,165
Basic and diluted earning per share (QAR)	**2.49**	2.46

The weighted average number of shares have been calculated as follows:

	2016	2015
Weighted average number of shares at 1 January	**296,165**	296,165
Issued during the year	**-**	-
Weighted average number of shares at 31 December	**296,165**	296,165

34. CASH AND CASH EQUIVALENTS

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

	2016	2015
Cash and balances with Qatar Central Bank (excluding QCB restricted reserve account)	**212,259**	198,639
Due from banks	**1,992,813**	1,550,927
	2,205,072	1,749,566

As at and for the year ended 31 December 2016 QAR '000s

35. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners' and entities over which the Group and the owners' exercise significant influence, directors and executive management of the Group.

The related party transactions and balances included in these consolidated financial statements are as follows:

	2016			2015		
	Subsidiaries, associated companies and joint ventures	**Board of directors**	**Others**	Subsidiaries, associated companies and joint ventures	Board of directors	Others
Assets:						
Customer financing	**72,507**	**2,745,261**	**-**	77,290	3,159,624	-
Liabilities:						
Customer deposits	**431,259**	**150,414**	**3,460,194**	368,102	59,684	4,610,071
Off balance sheet items:						
Unfunded credit facilities	**151,380**	**151,752**	**-**	148,058	87,699	-
Consolidated income statement items:						
Profit income	**1,401**	**93,229**	**-**	3,247	37,933	-
Profit expense	**6,291**	**10,021**	**69,530**	3,219	545	58,569

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2016	2015
Credit card	**10**	41
Other financings	**3,353**	5,738
	3,363	5,779

Key management personnel compensation for the year comprised:

	2016	2015
Short-term employee benefits	**31,921**	27,496
Post-employment benefits	**2,869**	1,992
	34,790	29,488

QAR '000s

36. RISK MANAGEMENT INSTRUMENTS

	Positive fair value	Negative fair value	Notional amount	Notional / expected amount by term to maturity: within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2016:							
Risk management instruments:							
Profit rate swaps	9,243	9,243	278,769	-	-	-	278,769
Options	-	2,276	36,415	-	36,415	-	-
Forward foreign exchange contracts	46,088	-	3,603,317	1,839,233	1,764,084	-	-
Total	55,331	11,519	3,918,501	1,839,233	1,800,499	-	278,769
At 31 December 2015:							
Risk management instruments:							
Profit rate swaps	14,734	13,324	1,549,185	-	620,512	-	928,673
Options	-	-	36,415	-	-	36,415	-
Forward foreign exchange contracts	112,739	-	5,012,592	3,969,570	1,034,220	8,802	-
Total	127,473	13,324	6,598,192	3,969,570	1,654,732	45,217	928,673

37. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners, in accordance with the Articles of Association.

38. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

39. COMPARATIVE FIGURES

The comparative figures presented for 2015 have been reclassified where necessary to preserve consistency with the 2016 figures. However, such reclassifications did not have any effect on the consolidated net profit, or the total consolidated equity for the comparative year.

As at and for the year ended 31 December 2016 QAR '000s

PARENT BANK

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

i. STATEMENT OF FINANCIAL POSITION OF THE PARENT

As at 31 December	2016	2015
ASSETS		
Cash and balances with Qatar Central Bank	**1,581,825**	1,396,796
Due from banks	**2,664,205**	2,335,019
Financing assets	**28,302,422**	27,058,714
Investment securities	**10,140,642**	11,019,093
Investment in subsidiaries, associate and joint venture	**2,426,621**	2,426,620
Fixed assets	**183,675**	201,394
Other assets	**286,368**	285,915
TOTAL ASSETS	**45,585,758**	44,723,551
LIABILITIES		
Due to banks	**5,739,803**	11,837,255
Sukuk financing	**2,197,594**	-
Customer current accounts	**1,591,764**	1,749,463
Other liabilities	**766,364**	918,285
TOTAL LIABILITIES	**10,295,525**	14,505,003
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**28,818,656**	24,085,418
OWNERS' EQUITY		
Share capital	**3,000,000**	3,000,000
Legal reserve	**1,594,641**	1,594,641
Treasury shares	**(26,550)**	(26,550)
Fair value reserve	**(32,477)**	(39,423)
Retained earnings	**1,935,963**	1,604,462
TOTAL OWNERS' EQUITY	**6,471,577**	6,133,130
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**45,585,758**	44,723,551

As at and for the year ended 31 December 2016 QAR '000s

ii. INCOME STATEMENT OF THE PARENT

For the year ended 31 December	2016	2015
Net income from financing activities	1,240,085	1,058,489
Net income from investing activities	392,470	362,790
Total net income from financing and investing activities	1,632,555	1,421,279
Fee and commission income	92,024	85,991
Fee and commission expense	(8,403)	(9,765)
Net fee and commission income	83,621	76,226
Net foreign exchange gain	25,233	5,646
Dividend from subsidiaries	31,957	43,957
Other income	17,665	79
Total income	1,791,031	1,547,187
Staff costs	(218,998)	(221,598)
Depreciation and amortisation	(24,918)	(27,739)
Other expenses	(116,490)	(132,735)
Finance cost	(167,923)	(87,083)
Total expenses	(528,329)	(469,155)
Net impairment loss on investment securities	(8,608)	(67,498)
Net impairment loss on financing assets	(67,628)	(30,668)
Profit for the year before return to investment account holders	1,186,466	979,866
Return to investment account holders before the Bank's share as Mudarib	(651,870)	(505,977)
Bank's share as Mudarib	94,250	176,921
Net return to investment account holders	(557,620)	(329,056)
Net profit for the year	628,846	650,810