

بنك قطر الأول
QFB

Inspired by the intricate architectural motifs in our luxurious Private Banking Lounge, our Annual Report this year expresses the extent of detail we are addressing in building relationships with our clients.

Our evolution into a premium Shari'ah compliant private bank is all about our keenness to get closer, become more attentive to our client needs, and therefore deliver Excellence in all aspects of our business.

QFB..... The Signature of Excellence

Qatar First Bank LLC

PO Box 28028 | Doha | Qatar
T +974 4448 3333
F +974 4448 3560
information@qfb.com.qa
www.qfb.com.qa

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BOARD OF DIRECTORS



**Mr. Abdullah bin
Fahad bin Ghorab
Al Marri**

**Chairman
State of Qatar**



**Mr. Ibrahim Mohamed
Ibrahim Jaidah**

State of Qatar



**Mr. Ibrahim Mohammed
Al AbdulAziz Al Jomaih**

**Vice Chairman
Kingdom of Saudi Arabia**



**Mr. Ahmed bin
Abdullah Al Marri**

State of Qatar



**Mr. Anwar Jawad
Ahmed Bukhamseen**

State of Kuwait



**Sh. Hamad bin Nasser
bin Jassim Al Thani**
State of Qatar



**Mr. Mohammad
Nasser Al Faheed
Al Hajri**
State of Qatar



**Mr. Khaled Abdullah
Khouri**
United Arab Emirates



**Mr. Mosabah Saif
Mosabah Al Mutaury**
Sultanate of Oman



**Mr. Ali bin
Mohammed Al Obaidli**
State of Qatar

SHARI'AH SUPERVISORY BOARD MEMBERS



Prof. Dr. Ali Al Quradaghi

Chairman



Shaikh Dr. Yahia Al-Nuami

Member



Shaikh Dr. Sultan Al Hashemi

Member



EXECUTIVE MANAGEMENT



Ziad Makkawi

Chief Executive Officer



**Sulaiman Yousif
Al-Salhi**

Chief Business Officer



Ihab Al Asali

**Managing Partner –
Private Equity**



Samir Assaad

**Managing Partner –
Private Equity**



Nizar Ahmadi

**Head of Private Banking
& Wealth Management**



Ayman Zaidan

**Head of Treasury and
Investment Management**



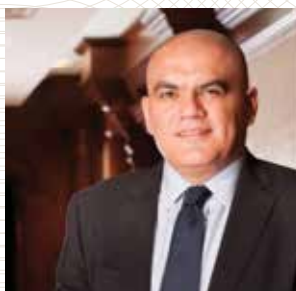
Hani Katra
Chief Financial Officer



Yaser Al Maghribi
Chief Risk Officer



Nayeem Khan
Chief Operating Officer



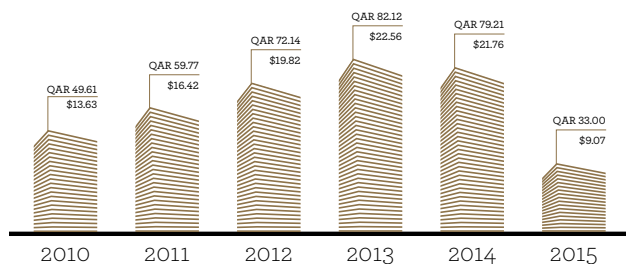
Moath Abdalla
Head of Internal Audit



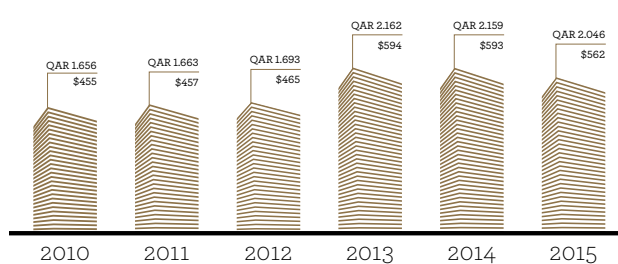
Andrew Williams
**Head of Human
Resources**

FINANCIAL HIGHLIGHTS

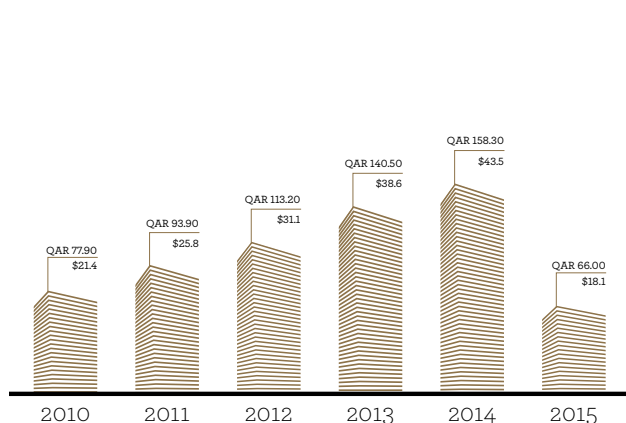
EARNINGS PER SHARE (QAR DIRHAM)/ (US CENTS)



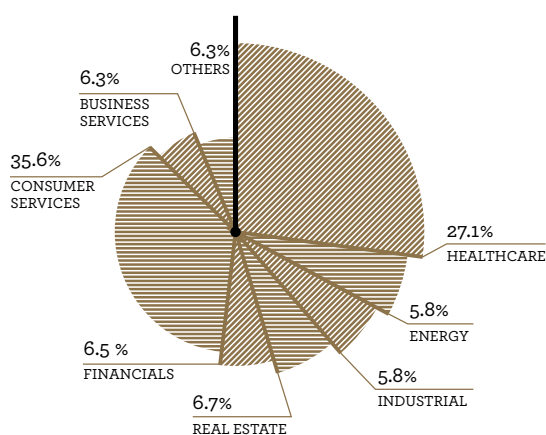
OWNERS' EQUITY (BILLION QAR)/ (MILLION US\$)



NET INCOME (MILLION QAR/ MILLION US\$)



INVESTMENT BY SECTOR





QAR 5.86 bn (US\$ 1.61 bn)
Total Assets

QAR 1.54 bn (US\$ 423.0 million)
Total Invested Capital

QAR 336.5 mn (US\$ 92.5 million)
Total Income

QAR 66.0 mn (US\$ 18.1 million)
Net Income

CHAIRMAN'S STATEMENT

On behalf of the board, I am pleased to present to you the 6th Annual Report for Qatar First Bank for the year ending 31st December, 2015.

The year 2015 saw several key economic events that contributed to the stagnation of the global economy. The devaluation of the Chinese currency leading to the crash of its stock markets, the hike of US interest rates and its impact on emerging markets, the plunge in oil prices to lowest levels since the 2008 financial crisis have all furthered the slow-down of the global economy.

Closer to home, the geo-political unrest continues to hamper the growth of the MENA economies. Of great concern to the GCC region was the dramatic drop of oil prices resulting from a combination of oversupply and weak demand from key countries like China. This decline triggered alarming signals and GCC governments were prompted to undertake measures to cover budget deficits and stimulate growth including the rethinking of governments' huge spending on subsidies and introducing schemes to incentivise the non-hydrocarbon sector to encourage economic diversification.

Fortunate for us, our home country Qatar is one of the best placed GCC countries to weather the crash of oil prices underpinned by its diligent government spending, accelerated efforts for diversification and sound global investments. Although the Qatari government faced the first budget deficit in 15 years, the economy managed to grow at around 4% during 2015. With hosting of the FIFA World Cup 2022 edging closer we expect significant spending on major infrastructure projects including the rail system, new port, highways and stadia which will no doubt offer a plenitude of growth opportunities to tap into.

At QFB we were not totally immune to the prevailing global economic scene. Although we witnessed a slight decline in our net profit, our financial position remained solid mainly due to the diversity of our revenue streams and quality of our investments. Our strategy of investing in defensive sectors, such as healthcare, that are less likely to be affected by tight fiscal budgets and geographies, like Turkey, that boasts long term growth prospects have helped us cope with the difficult market conditions.

Aside from this glitch in performance QFB continued its ambitious growth plans. A major milestone was the launch of our new brand and the opening of the Private Banking Lounge signalling our evolution into the first full-fledged world class Shari'ah compliant Private Bank in Qatar focusing on innovation and adopting the highest standards of governance and transparency to deliver excellence to our clients.

To drive our new business strategy we welcomed Ziad Makkawi as the new Chief Executive Officer of the bank. Ziad's wealth of experience and proven track record in the financial services sector is a testament of his ability to lead the team and take the Bank to new heights.

Looking ahead we envision that the global economic backdrop will remain challenging specifically as the GCC region adjusts to low oil prices and slowing economic growth. In spite of these challenges QFB will continue adopting an opportunistic outlook to source viable investment opportunities that surface in such market conditions in order to generate sound returns for the Bank and create value for our shareholders.

Furthermore, the listing of QFB on the Qatar Stock Exchange will inevitably happen in 2016. This long awaited move is bound to have a positive impact as the QFB brand gains more credibility and a wider recognition.

On behalf of the Board of Directors, I would like to express our sincere appreciation for the visionary leadership of His Highness, the Emir, Sheikh Tamim Bin Hamad Al Thani.

I thank our shareholders and business partners for their continued loyalty, faith and support and our Shari'ah Supervisory Board for their wise counsel and guidance.



QFB is committed to delivering a value added and excellent service to our clients and shareholders. This will not be possible without the hard work and expertise of every staff member at the Bank. Their dedication and support is a testament to our success in 2015 and will pave the way for even greater achievements in 2016.

May Allah enlighten our path and bless us to realize our vision of becoming the leading Shari'ah compliant private bank in the region.

A stylized, handwritten signature in black ink, consisting of a large, flowing 'Q' followed by a smaller 'B' and a final flourish.

Abdulla bin Fahad bin Ghorab Al Marri
Chairman

CHIEF EXECUTIVE OFFICER'S STATEMENT

It is with great pleasure that I present the 2015 Executive Management Review, the first since my joining QFB.

During 2015, the GCC region saw increased macroeconomic imbalances as the price of oil dropped below the USD 40 mark. This, in the context of continued uncertainty in the global markets, worries over the health of the Chinese economy, continued weakness in Europe as well as the actual strength of the US recovery. These have contributed to reducing investment visibility and increasing market volatility across all asset classes.

Governments of the GCC reacted swiftly to the dramatic drop in oil prices by implementing cost rationalizations that will leave their economies stronger and more resilient in the future. In the short term however, these initiatives have led to a reduction in liquidity and a decrease in lending and deposit growth. The geopolitical tensions have contributed to a drop in the overall appetite for risk and led high-net-worth individuals in the GCC investors to seek “safer” and more mature markets. The volatility and market uncertainty presents challenges to investors and therefore opportunities to QFB. These uncertainties look set to remain with us during 2016, meaning our clients will be in need of a trusted financial advisor that understands their risk profile and helps them preserve their wealth.

QFB's evolution from a boutique investment bank to a full-fledged Shari'ah compliant private bank remains our strategy and we continue to capitalize on the growing demand for Islamic banking and the increase in wealth in the region. During 2015 we continued to build our private banking capability through key staff additions, enhancing our product offering and improving our technology infrastructure. To stay closer to our clients we launched a new brand that reflects our commitment to excellence in every aspect of the business. A testament to this new strategy is reflected in our recently launched Private Banking Lounge, a novel branch for our private clients to conduct their business in a relaxed and opulent environment. We are now able to provide High-Net-Worth Individuals, Corporates and Institutions in Qatar and the region with bespoke Shari'ah compliant wealth management services and financial solutions.

QFB's Alternative Investment business continues to perform well and constitutes a major part of our revenues. Our prudent investment strategy focused on sectorial and geographic diversification enabled us to weather the economic and market volatility. The portfolio continued to deliver a solid performance, albeit at a slower pace than in previous years. Our focus for the portfolio remains to pursue value added initiatives such as streamlining operations, expanding geographical foot prints and improving their institutional infrastructure. We exited three investments, with IRRs ranging from 20% to 50%: the bank sold its remaining shares in Al Noor Hospitals, completed the Westbourne House project in London's W2 district; and sold the plot of land near Burj Khalifa, in Dubai. In terms of new investments, we acquired a 15.6% stake in Cambridge Medical & Rehabilitation Centre based in Abu Dhabi.

Despite the volatile market conditions and uncertainties, QFB maintained a strong financial position. We closed 2015 recording a gross income of QAR 336.5 mn (equivalent to US\$ 92.5 mn) and a net income of QAR 66 mn (US\$ 18.1 mn). Capital deployed during 2015 is QAR 33.9 mn (US\$ 9.3 mn), bringing our total capital invested to date to QAR 1.54 bn (US\$ 423.0 mn) and total assets has grown by 26% to QAR 5.9 bn (US\$ 1.6 bn).

Our listing on the Qatar Exchange remains a top priority and we continue to work closely with the concerned authorities to complete the listing requirements. Pending regulatory approvals, we hope the listing will conclude shortly allowing QFB to attract new investors, provide existing shareholders with a liquidity event and secure a future funding source through the capital markets.

We expect the challenging market conditions to continue in 2016 as GCC economies adapt to a lower oil price environment and tighter liquidity. However, as experience has shown such challenging environments present pockets of opportunities for the bank and its clients. As a client-focused bank, QFB is well positioned to take advantage of such opportunities and make our investment expertise and deep knowledge of financial markets available to our private, corporate and institutional clients. In addition, the strong global demand for Shari'ah compliant finance along with the growth of the wealth market in the region, will provide us with further opportunities to showcase our expertise and present High Net Worth Individual clients with innovative wealth management strategies. Furthermore, our home country, Qatar has managed to weather the financial headwinds and continues to outperform its neighbors. Its commitment to spend on mega infrastructure projects geared towards the hosting of the 2022 World Cup and realizing its National Vision 2030 means that QFB, will have additional opportunities for growth by providing our Corporate and Institutional clients with best in class solutions for their financial needs.



I would like to take this opportunity to thank all my colleagues at QFB for their hard work and dedication towards evolving QFB into a provider of excellence in financial services. We are at the beginning of a new phase in the Bank's journey to become a first class private bank in Qatar and to play a pivotal role in the growth of the financial industry. I would also like to extend my appreciation and gratitude to our Chairman for his guidance and support, and the Board of Directors for their trust and advice. Most importantly a special thanks to our shareholders and clients for their continued trust reassuring them of our commitment to provide them with strong returns, bespoke financial solutions and an excellent service.

QFB has achieved much since its inception, and I am confident the next phase of the Bank's journey with the execution of new initiatives will be equally rewarding for the Bank, its shareholders, clients and employees.

A handwritten signature in black ink, appearing to read 'Ziad Makkawi'.

Ziad Makkawi
Chief Executive Officer

OVERVIEW ON OPERATIONAL UPDATES



ALTERNATIVE INVESTMENTS

EXITED INVESTMENTS

QFB exited three investments in 2015, with IRRs ranging from 20% to 50%. These were:

Al Noor Hospitals

QFB sold its remaining shares in Al Noor Hospitals (“Al Noor”), which listed on the London Stock Exchange in 2014. QFB realized total proceeds of US\$ 146m and profit of US\$ 106m throughout its investment in Al Noor resulting in an IRR of 49%. During the holding period QFB worked alongside Ithmar Capital to institute best-in-practice corporate governance standards, develop a robust business plan and optimize the company’s capital structure.

Westbourne House, London

In August 2015, QFB completed the Westbourne House project. QFB and a group of GCC investors acquired Westbourne House, in London’s W2, in 2012; planning permission was subsequently received to convert the office building into 20 luxury apartments. The project has won an architectural design award. During 2015, 85% of the apartments were sold to GCC investors. It is expected that when fully exited the investment will deliver an IRR of 20%.

Dubai Land Plot

QFB sold the plot of land near Burj Khalifa, Dubai, in which it had owned a 50% stake. The sale realised proceeds of ~US\$ 18m, profit of ~US\$5m and return on capital of 34%.

NEW INVESTMENTS

Cambridge Medical & Rehabilitation Centre

QFB acquired a 15.6% stake in Cambridge Medical & Rehabilitation Centre (“Cambridge Medical”) based in Abu Dhabi. Led by TVM Capital Healthcare Partners, Cambridge Medical caters for those in need of non-acute rehabilitation with a high level of physiotherapy as well as treatment for a broad range of conditions including spinal cord injuries, neuromuscular diseases and birth defects. Cambridge Medical is affiliated with US-based Spaulding Rehabilitation Network and Joslin Diabetes Centre, both Harvard Medical School affiliate training centres.

INVESTMENT PORTFOLIO UPDATES

Memorial Health Group

Memorial continues to successfully expand its geographic footprint as revenue ramps up from its new hospitals: Ankara’s revenue more than doubled during 2015, while the combined revenue of Kayseri, Dicle and Diyarbakır increased at more than 30% year over year, resulting in a total EBITDA increase of ~55% in 2015. Furthermore, significant progress has been made in the construction of the new hospital in Bahçelievler. This is expected to be one of the largest private hospitals in Istanbul, comprising 300 beds and a closed area of ~75,000 sqm.

English Home

English Home continued its aggressive expansion plans, adding 93 stores (57 in Turkey and 36 in international markets) to reach a total of 344 stores (272 in Turkey and 72 in international markets). This resulted in a ~45% increase in revenue for 2015 compared with 2014. High growth has been achieved as a result of various initiatives introduced by the new CEO to optimize operations, enabling English Home to dominate the Turkish textile retail market and further expand the company’s regional footprint.



Food Services Company

QFB assisted FSC, the operator of Opera Patisserie, Opera Café, Opera Catering, Take Away and Kanafanji, to expand across Doha with an additional 2 stores, reaching a total of 18 in 2015. Furthermore, QFB is working alongside FSC management to roll out further stores in order to meet the company's ambitious growth objectives. QFB has also worked extensively with FSC to incorporate best-practice corporate governance standards and reporting frameworks.

PRIVATE BANKING

We continue to build our Private Banking platform with the vision of evolving into the region's truly shari'ah compliant private bank by adopting a client focused approach founded on confidence, trust and discretion and delivering innovative tailored wealth management solutions.

During 2015 we undertook several initiatives to enhance our capabilities including the development of an online banking client application form, online client onboarding application, enhancements of internal systems to support new activities such as brokerage, custody and institutionalising controls, all to reflect our commitment to adopt international private banking standards. In addition, we enhanced our monthly purification reporting capabilities and put in place Shari'ah screening tools to ensure all equities traded are Shari'ah compliant.

We developed a suite of products including Mudarabah deposits (short, medium and long term), multi-currency cash accounts, currency spot and forward transactions, shari'ah compliant international mutual funds, brokerage on equities and sukuk (local, regional and international). We also offer collateralized and non-collateralized lending options to our clients.

To ensure that the Private Banking team remains up to date with best banking practice, all our client facing staff went through a two week training in private wealth management provided by CCL Academy London, a credited international institution, and a workshop on mutual funds conducted by Franklin Templeton. In addition, all bank staff participated in a detailed training on shari'ah principles, filters and purification.

Towards the end of 2015, to complement our offerings we launched our premium Private Banking Lounge as a testament to our commitment to provide excellence to our clients. The Lounge design conveys trust, professionalism and privacy. It embodies a strong sense of modernity built on traditional foundations and fine craftsmanship that our private clients will have experienced in luxury venues. Our clients can now conduct their financial transactions in an exclusive and opulent environment.



CORPORATE AND INSTITUTIONAL BANKING

QFB continues to enhance its Corporate and Institutional Banking capabilities. During the year the department undertook several new initiatives in an effort to expand corporate banking solutions to local and international clients including developing new products and enhancing client service experience.

To grow its portfolio, QFB is widening its distribution reach to corporate clients across sectors and locations, in order to cultivate a regular and constant income stream through necessary diversification. The QFB product range is being enhanced so that all corporate client banking needs (both ready-made and bespoke) can be provided under one umbrella, providing a bespoke service without compromising on shari'ah principles and standards. Our aim is to develop synergies among QFB's different business functions by creating cross-selling opportunities, thereby enhancing the overall banking experience of the client and also increasing shareholder value.

TREASURY DEPARTMENT

During 2015, the Treasury Department grew its product and execution capabilities to support the balance sheet growth of the Bank. Over the course of the year, the funding and asset mix remained diversified in order to absorb market liquidity and allow efficient management of the Bank's assets and liabilities. Transactions were facilitated by the strong relationships built by QFB Treasury with local, regional and international banks.

The year 2015 also witnessed the launch of the QFB Money Market Fund, which was well received by our clients to assist with liquidity management and as yield enhancement tool.

The Bank's Sukuk book continued to grow in size to reach QR 943mn (USD 259mn) while maintaining both its investment-grade credit quality and the same duration. All market risk exposures on the portfolio continue to be hedged due to the expected onset of constant rate hikes by the US Federal Reserve in 2016.



* QFB Private Banking lounge

OPERATIONS

To protect our customers and instil the highest confidence in our banking, QFB attaches a high importance to security, both physical and electronic. During 2015, the IT Security and Storage infrastructure was strengthened in line with assessment of external threats in order to protect and safeguard the bank's data. Meanwhile, the overall physical security of the building was enhanced through improvements to the CCTV system and car park access system.

In order to provide our clients with easier access and exceptional service we invested in refinements of our technology. QFB strengthened the operations team and its capabilities to support the expanded private banking and commercial banking activities, and to protect the bank's IT and physical security. The Bank's enhanced capabilities were underpinned by the introduction of new operational processes and documentation, changes which have supported both new and existing products.

Supporting the provision of more convenient and smoother systems for our customers, QFB systems have been updated to provide end-to-end automation for products where possible, with the possibility of 100% Straight Through Processing (STP). Other systems enhancements implemented in 2015 include shareholder data and transactions management, ERP system enhancements, reporting, and CRM application.

RISK MANAGEMENT

To maintain up-to-date mechanisms for risk management for the protection and confidence of the Bank's customers, the Risk Management Department (RMD) continued to support Commercial Banking's strategic objective of a diversified commercial portfolio including high-net-worth individuals as well as corporates, through a strong pre-approval risk assessment and analysis, together with subsequent portfolio performance monitoring of collaterals and repayments. The RMD also worked with other departments on various critical initiatives relating to the launch of private banking activities, including the development of new products, and the development and implementation of new policies, procedures, and IT Systems.

QFB has strengthened its Internal Capital Adequacy Assessment Process Framework (ICAAP). The RMD worked on the review and update of critical risk policies, and on the development and implementation of a new Economic Capital Methodology (ECM) that takes into account the new strategic direction of the Bank. The ECM is a comprehensive tool designed according to parameters which have been set to ensure that QFB will remain solvent and well capitalized under extreme market conditions.

CORPORATE GOVERNANCE

Aiming to build and enhance the value of QFB for its shareholders, in compliance with QFC Regulatory Authority's Guide to Corporate Governance for QFC Authorized Firms and the Qatar Financial Markets Authority's Corporate Governance Code for Listed Entities, QFB has looked to structure a corporate governance framework in line with our strong commitment to operating under the highest standards: the Board of Directors, the Shari'ah Supervisory Board, the senior management, and the Bank staff, led by the Chief Executive Officer.

The Board of Directors (Board) is elected by the shareholders to oversee management and to ensure that shareholder interests are served. The Board has appointed Ziad Makkawi as CEO to manage the day-to-day affairs of the Bank, in line with the resolutions of the Board and the shareholders. The CEO and his management team make the necessary appointments for the staffing needs of the Bank.

Board members focus on areas that are important for shareholder interest, business strategy, risk management, business development and performance as well as regulatory and legal matters. Both the Board and management recognize that shareholder interests are advanced by responsibly addressing the concerns of other stakeholders and interested parties; and the Board may also form special committees to undertake specific tasks on its behalf, with members selected based on their subject expertise and/or experience. The Committees send regular summaries of resolutions or recommendations and, unless otherwise stipulated, committee decisions are deemed to be approved and accepted as decisions by the Board.

Board of Directors Committees

- Audit Risk and Compliance Committee
- Executive Committee
- Board Credit Committee
- Remuneration Committee
- Nomination Committee

Management Committees

- Management Committee
- Assets and liability Committee
- Credit Committee
- Investment Committee
- Product Committee

During 2015 the Board played an active role in endorsing private banking as a new business line by approving various initiatives to strengthen corporate governance and the policies and procedures encompassing commercial and corporate banking, placement and distribution of investment solutions and deposit taking.

In order to help ensure best value for shareholders and stakeholders, the Board approved the appointment of leading international advisors to consult on various aspects of the initiative launch, including new policies and procedures for the management of the new business line.

FINANCIAL
STATEMENTS
2015

SHARI'AH SUPERVISORY BOARD REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

To the Shareholders of Qatar First Bank LLC.

Praise is to Allah and prayers & peace be upon His Prophet Muhammad, and upon his kinsfolk, companions and those who followed his teachings...

In compliance with our terms of appointment, the Shari'ah Supervisory Board (refer to hereafter as "SSB") of Qatar First Bank LLC, (refer to hereafter "the Bank") is pleased to present to you this Report. **The SSB has properly performed its duties as follows:**

- 1- The SSB, in coordination with the management, has developed Shari'ah standards and guidelines for the activities and contracts of the Bank and ensured their implementation through internal Shari'ah audit.
- 2- The SSB has endorsed and approved the financial statements and the balance sheet and ensured Shari'ah compliance of the allocation of profits and losses on the investments.
- 3- The Chairman and the Executive Member of the SSB has, through series of meetings, provided innovative Shari'ah compliant solutions for challenging issues faced by the Bank during the course of its operations. The Chairman and the Executive Member has also drafted and reviewed standard forms of contracts and agreements which were presented to him and which were related to the new financing, services and investment activities of the Bank, and responded to the questions and inquiries raised by the Bank which were later approved by the SSB.
- 4- The SSB has calculated the Zakat in accordance with the approved Shari'ah guidelines taking into consideration the balance sheet of 2015 as presented.
- 5- The SSB has also performed the diligent supervision to form transparent and reasonable opinion on whether the Bank has complied with Shari'ah principles, resolutions (Fatwa) and guidelines issued by the SSB in respect with the principles and the contracts related to the transactions and applications introduced by the Bank during the financial year.

In order to ensure proper implementation, the SSB has, through the Shari'ah Compliance Department, conducted and performed review and examination on the procedures adopted by the Bank so as to obtain all information and explanations that the SSB considered necessary in order to provide them with sufficient evidence to give reasonable assurance that the Bank has not breached any rules or principles of Shari'ah and AAOIFI's Shari'ah Standards.

As a general principle and practice, the implementation of these Shari'ah principles and rules are the responsibility of the management. It is the SSB's responsibility to form Shari'ah opinion (Fatwa), approve the contracts, review, and conduct Shari'ah audit.

Shari'ah Supervisory Board's Opinion:

- a) The contracts, transactions and products entered into by the Bank, and which we reviewed and audited, were in compliance with Shari'ah rules and principles.
- b) The investments of the Bank, which were presented to us, had been executed through Shari'ah compliant contracts, instruments and products as approved by the SSB and did not contradict with the principles of Shari'ah and were in line with AAOIFI Shari'ah Standards.
- c) After reviewing the consolidated financial statement and income statement for the financial year, the SSB did not notice, in general, any breach of Shari'ah rules and principles.
- d) All earnings realized from sources or by means prohibited by rules and principles of Shari'ah have been credited to a special account and have been disposed of to charitable causes under the supervision of the SSB so that they do not get mixed with shareholder's funds.

Finally, we avail ourselves of this opportunity to express our gratitude and sincere prayer to these who have contributed to this great organization; our special thanks go out to the Board Members; the Chairman and the members, and to the CEO and the Executive Management of the Bank for their efforts and valuable cooperation with the Executive Member of the SSB, praying for Allah, the Almighty, to bless them with continuous growth and successes based on Shari'ah principles and fearing Allah in a way that contributes to the development of our country. May Allah protect our country and guide its ruler to what is good.

The last of our prayer is praise is to Allah, the Lord of the worlds.



**Shaikh Prof. Dr. Ali Mohi-
Aldeen Al- Qaradaghi**
Chairman and Executive Member
of the Shari'ah Supervisory Board

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar First Bank L.L.C ("the Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of income, changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Respective responsibilities of the Board of Directors and Auditors

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentations. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2015, and the results of its operations, changes in owners' equity and cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank.

Report on other legal and regulatory requirements

We have obtained all the information and explanations we considered necessary for the purpose of our audit. The Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We are not aware of any violations of the applicable provisions of the Qatar Financial Centre Regulatory Authority regulations during the year which might have had a material adverse effect on the business of the Bank or its financial position as at 31 December 2015.

Other matter

The consolidated financial statements as at and for the year ended 31 December 2014 were audited, by another auditor, whose audit report dated 5 March 2015, expressed an unmodified audit opinion thereon.

7 February 2016
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

	Notes	2015	2014
ASSETS			
Cash and cash equivalents	5	1,599,812	896,001
Investments carried at amortised cost	6	943,416	748,220
Financing assets	7	1,109,417	833,446
Accounts receivable	8	25,717	133,675
Inventories	9	42,920	45,540
Equity investments	10	1,408,949	1,476,966
Investments in real estate	11	—	273,120
Fixed assets	12	146,333	137,079
Intangible assets	13	14,611	34,391
Assets of disposal group classified as held-for-sale	14	538,784	—
Other assets	15	29,877	89,086
TOTAL ASSETS		5,859,836	4,667,524
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Financing liabilities	16	218,246	419,426
Customers' current accounts		23,426	26,372
Liabilities of disposal group classified as held-for-sale	14	357,659	—
Other liabilities	17	106,086	194,132
TOTAL LIABILITIES		705,417	639,930
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
	18	3,054,375	1,816,513
EQUITY			
Share capital	19	2,000,000	2,000,000
Fair value reserves		(22,243)	(3,152)
Retained earnings		68,319	162,314
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		2,046,076	2,159,162
Non-controlling interests	20	53,968	51,919
TOTAL EQUITY		2,100,044	2,211,081
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		5,859,836	4,667,524

These consolidated financial statements were authorised for issuance by the Board of Directors on 7 February 2016 and signed on its behalf by:



Abdulla bin Fahad bin Ghorab Al Marri
Chairman



Ziad Khalil Makkawi
Chief Executive Officer

The attached notes 1 to 33 form an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

	Notes	2015	2014
CONTINUING OPERATIONS			
INCOME			
Revenue from non-banking activities	21	109,838	116,734
Gain on re-measurement of investments carried at fair value through income statement	10.2	138,135	239,658
Dividend income		8,232	21,414
Profit on investments carried at amortised cost		21,450	17,629
Gain on disposal of investments carried at amortised cost		2,541	-
(Loss)/gain on disposal of equity investments		(29,360)	10,728
Gain on disposal of investments in real estate	11	16,961	-
Gain on disposal of convertible murabaha	7	32,241	-
Income from financing assets		56,140	35,267
Income from placements with financial institutions		10,312	5,253
Other income	22	24,378	20,256
TOTAL INCOME BEFORE RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		390,868	466,939
Less: Return to unrestricted investment account holders	18	54,327	27,395
TOTAL INCOME		336,541	439,544
EXPENSES			
Expenses from non-banking activities	21	105,727	109,991
Staff costs		90,806	91,853
Depreciation and amortisation	12&13	9,127	8,562
Financing costs		14,179	6,654
Other operating expenses	23	55,079	63,705
TOTAL EXPENSES		274,918	280,765
Less: Allowance for impairment on financing assets	7	3,313	-
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		58,310	158,779
Income tax expense		-	-
NET PROFIT FROM CONTINUING OPERATIONS		58,310	158,779
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	14	9,744	373
NET PROFIT FOR THE YEAR		68,054	159,152
Attributable to:			
Equity holders of the Bank		66,005	158,406
Non-controlling interests		2,049	746
		68,054	159,152
Basic/diluted earnings per share from continuing operations - QAR	24	0.29	0.78
Basic/diluted earnings per share from discontinued operations - QAR	24	0.04	0.01
Basic/diluted earnings per share - QAR		0.33	0.79

The attached notes 1 to 33 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

	Share capital	<i>Fair value reserves</i>		Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total equity
		Investment fair value reserve	Property fair value reserve				
Balance at 1 January 2014	2,000,000	644	16,227	145,553	2,162,424	50,603	2,213,027
Net profit for the year	-	-	-	158,406	158,406	746	159,152
Fair value adjustment	-	(25,794)	5,771	-	(20,023)	570	(19,453)
Dividends (note 32)	-	-	-	(141,645)	(141,645)	-	(141,645)
Balance at 31 December 2014	2,000,000	(25,150)	21,998	162,314	2,159,162	51,919	2,211,081
Balance at 1 January 2015	2,000,000	(25,150)	21,998	162,314	2,159,162	51,919	2,211,081
Net profit for the year	-	-	-	66,005	66,005	2,049	68,054
Fair value adjustment	-	(2,106)	-	-	(2,106)	-	(2,106)
Transfer to income statement due to disposal of investment in real estate	-	-	(16,985)	-	(16,985)	-	(16,985)
Dividends (note 32)	-	-	-	(160,000)	(160,000)	-	(160,000)
Balance at 31 December 2015	2,000,000	(27,256)	5,013*	68,319	2,046,076	53,968	2,100,044

*Property fair value reserve of QAR 5 million as at 31 December 2015 pertains to disposal group (refer to note 14).

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

	Notes	2015	2014
OPERATING ACTIVITIES			
Net profit for the year		68,054	159,152
Adjustments for non-cash items in net profit			
Depreciation and amortisation	12&13	27,301	25,125
Unrealised gains on equity investments	10.2	(138,135)	(239,658)
Allowance for impairment on financing assets	7	3,313	-
Other (recovery of provisions)/provisions, net		(259)	513
		(39,726)	(54,868)
Changes in:			
Investments carried at amortised cost		(195,196)	(475,846)
Financing assets		(279,284)	(531,294)
Accounts receivable		(171,768)	(12,645)
Inventories		(4,746)	(8,383)
Equity investments		204,046	(250,134)
Investments in real estate		47,506	(42,792)
Other assets		59,209	3,754
Customers' current accounts		(2,946)	(31,180)
Other liabilities		12,508	(8,576)
Net cash used in operating activities		(370,397)	(1,411,964)
INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(55,428)	(29,334)
Proceeds from disposal of fixed assets		-	4
Net cash used in investing activities		(55,428)	(29,330)
FINANCING ACTIVITIES			
Net change in financing liabilities		44,262	86,450
Net increase in equity of unrestricted investment account holders		1,237,862	1,568,007
Dividends paid to equity holders		(152,488)	(136,369)
Net cash from financing activities		1,129,636	1,518,088
Net increase in cash and cash equivalents		703,811	76,794
Cash and cash equivalents at the beginning of the year		896,001	819,207
Cash and cash equivalents at the end of the year	5	1,599,812	896,001

The attached notes 1 to 33 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

1. REPORTING ENTITY

Qatar First Bank L.L.C (“the Bank” or “the Parent”) is an Islamic bank, which was established in the State of Qatar as a limited liability company under license No.00091, dated 4 September 2008, from the Qatar Financial Centre Authority. The Bank is authorised to conduct the following regulated activities by the Qatar Financial Centre Regulatory Authority (the “QFCRA”):

- Deposit taking;
- Providing credit facilities;
- Dealing in investments;
- Arranging deals in investments;
- Arranging credit facilities;
- Providing custody services;
- Arranging the provision of custody services;
- Managing investments;
- Advising on investments; and
- Operating a collective investment fund.

All the Bank’s activities are regulated by the QFCRA and are conducted in accordance with Islamic Shari’a principles, as determined by the Shari’a Supervisory Board of the Bank and in accordance with the provisions of its Articles of Association. The Bank operates through its head office located on Suhaim bin Hamad Street, Doha, State of Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). The Parent Company / Ultimate Controlling Party of the Group is Qatar First Bank L.L.C.

The Bank has the following subsidiaries as at 31 December 2015 and 31 December 2014:

Subsidiaries	Activity	Effective ownership as at		Year of incorporation	Country
		31 December 2015	31 December 2014		
Future Card Industries LLC	Manufacturing	71.30%	71.30%	2012	UAE
Al Wasita Emirates for Catering Services LLC	Catering	85%	85%	2008	UAE
Isnad Catering Services WLL	Catering	75%	75%	2012	Qatar
QFB Money Market Fund 1 Ltd.	Money market fund	100%	–	2015	Cayman Islands

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and the Shari’a rules and principles as determined by the Shari’a Supervisory Board of the Bank. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant International Financial Reporting Standards (“IFRSs”) as issued by the International Accounting Standards Board (“IASB”).

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for valuation of equity investments and investments in real estate both at fair value.

Functional and presentational currency

The consolidated financial statements are presented in Qatari Riyals (“QAR”), which is the Bank’s functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

2. BASIS OF PREPARATION (continued)

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 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are set out below:

3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has power, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries. All intra-group balances, transactions, income and expenses and unrealised profits and losses resulting from intra-group transactions are eliminated in full on the consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations are accounted for using the acquisition method as at the acquisition date i.e. when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the consolidated income statement immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

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 as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profits or losses 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currencies

Transactions and balances

Transactions in foreign currencies are translated into Qatari Riyals at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Qatari Riyals at the rates ruling at the date of consolidated financial position.

All differences from gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a local currency different from the presentational currency are translated as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to the consolidated statement of changes in owners' equity within the "translation reserve". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

3.3 Financial assets and liabilities

Recognition

Financial assets and liabilities are recognised on the trade date at which the Group becomes a party of the contractual provisions of the instruments.

De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the right to receive cash flows from the asset has expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis, or intends to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

3.5 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise of cash and balances with banks; and amounts of placements with financial institutions with an original maturity of three months or less.

Placements with financial institutions comprise placements with banks in the form of Wakala and Murabaha investment. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

3.6 Investment carried at amortised cost

Investments in Sukuk are carried at amortised cost when the investment is managed on a contractual yield basis and its performance is evaluated on the basis of contractual cash flows. These investments are measured initially at fair value plus transaction costs. Premiums or discounts are then amortised over the investment's life using effective profit method less reduction for impairment, if any.

Gain on disposal of investment carried at amortised cost is recognized when substantially all risks and rewards of ownership of these assets are transferred and equals to the difference between fair value of proceeds and the carrying amount at time of de-recognition.

3.7 Financing assets

Financing activities comprise murabaha and ijarah contracts:

Due from murabaha contracts

Murabaha receivables are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit. These receivables are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, any recoveries from previously written off financing activities are written back to the specific provision.

The Group considers the promise made in murabaha to the purchase orderer as obligatory.

Due from ijarah contracts

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 receivable are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any). Ijarah income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

3.8 Accounts receivable

Accounts receivable is the amount of debt due from the customers at the end of the financial period and are stated at amortised cost less any provision for doubtful debts, if any. When an account receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Inventories

Raw materials are stated at the lower of cost or net realisable value. Costs of raw materials include:

- a) *costs of purchases (including transport, and handling) net of trade discounts received, and;*
- b) *other costs incurred in bringing the inventories to their present location and condition.*

The cost of raw materials is recorded using the first-in first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Finished and semi-finished goods are also measured at the lower of cost or net realisable value that include cost of raw materials, labour and factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

3.10 Equity investments

Equity investments comprise the following:

a) Investments carried at fair value

Equity type instruments are investments that do not exhibit the feature of debt type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

i. Classification

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 Group 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 de-recognition

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 derecognised 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 remeasured at fair value at the end of each reporting period and the resultant remeasurement 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 amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Equity investments (continued)

a) Investments carried at fair value (continued)

iii. *Measurement (continued)*

Investments at fair value through equity are remeasured 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 investment 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 owners' 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).

b) Other investments

Other investments includes venture capital investments held as part of investments portfolio that are managed with the objective of earning a return on these investments. The Group aims to generate a growth in the value of investments in the medium term and usually identifies an exit strategy or strategies when an investment is made.

The investments are typically in businesses unrelated to the Bank's business. Investments are managed on a fair value basis and are accounted for as investments designated at fair value through the consolidated income statement.

3.11 Impairment

Impairment of financial assets

The Group assesses impairment at each financial reporting date whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired.

In case of equity investments classified as fair value through equity, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is significant or prolonged requires judgement and is assessed for each investment separately. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in the fair value reserve in the consolidated statement of changes in owners' equity.

Investments in equity instruments that are carried at cost in the absence of a reliable measure of fair value are also tested for impairment, if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount and its expected recoverable amount. All impairment losses are recognised in the consolidated income statement and shall not be reversed.

Investments carried at amortised cost are impaired when their carrying amounts exceed their expected present value of estimated future cash flows discounted at the asset's original effective profit rate. Subsequent recovery of impairment losses are recognised through the consolidated income statement, the reversal of impairment losses shall not result in a carrying amount of the asset that exceeds what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Impairment (continued)

Impairment of non-financial assets

The Group assesses at each reporting date if events or changes in circumstances indicate that the carrying value of a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in the recoverable amount in future periods.

3.12 Investment in real estate

Investment in real estate comprise building and other related assets which are held by the Group to earn rentals and/or are expected to benefit from capital appreciation. Initially investments are recognised at cost including directly attributable expenditures. Subsequently, investments are carried at fair value. Fair value of investments is re-measured at each reporting date and the difference between the carrying value and fair value is recognised in the consolidated statement of changes in owners' equity under property fair value reserve.

In case of losses, they are then recognised in equity under investment fair value reserve to the extent of availability of the reserve through earlier recognised gains assumed, in case such losses exceeded the amount available in the equity fair value reserve for a particular investment in real estate, excess losses are then recognised in the consolidated income statement under unrealised re-measurement losses on investments.

Upon occurrence of future gains, unrealised gains related to the current period are recognised in the consolidated income statement to the extent of crediting back previously recognised losses in the consolidated income statement and excess gains then are recognised in the equity under property fair value reserve.

Investment in real estate are derecognized when they have been disposed off or transferred to investment in real estate-held for sale when the investment in real estate is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment in real estate along with any available fair value reserves attributable to that investment are recognised in the consolidated income statement in the year of retirement or disposal.

3.13 Assets held-for-sale and discontinued operations

Classification

The Group classifies non-current assets or disposal groups as held-for-sale if the carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use within twelve months. A disposal group is a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

If the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held-for-sale, adjusted for any depreciation, recognised or revaluations that would have been recognised had the asset (or disposal group) not been classified as held-for-sale and its recoverable amount at the date of the subsequent decision not to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Assets held-for-sale and discontinued operations (continued)

Classification (continued)

Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets and investment property carried at fair value, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in the consolidated income statement. Gains are not recognised in excess of any cumulative impairment loss.

Measurement

Non-current assets or disposal groups classified as held-for-sale, other than financial instruments, are measured at the lower of its carrying amount and fair value less costs to sell. Financial instruments that are non-current assets and 'held-for-sale' continue to be measured in accordance with their stated accounting policies. On classification of equity-accounted investee as held-for-sale, equity accounting is ceased at the time of such classification as held-for-sale. Non-financial assets (i.e. intangible assets, equipment) are no longer amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

3.14 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred. The Group depreciates fixed assets except for land, on a straight-line basis over their estimated useful lives as follows:

Category description	Years
Plant and machinery	7-10
Land and buildings	20
Equipment	3 - 5
Furniture and fixtures	3 - 7
Building renovations	5-10
Motor vehicles	5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Intangible assets

Intangible assets include the value of computer software and generated intangible assets that were identified in the process of a business combination. The cost of intangible assets is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Category description	Years
Software and core banking system	5 - 7
Brand and contractual relationships	5

3.16 Equity of unrestricted investment account holders

The Bank accepts funds from customers for investment in the Bank's capacity as mudarib and at the Bank's discretion in whatever manner the Bank deems appropriate without laying down any restriction as to where, how and for what purpose the fund should be invested. Such funds are classified in the statement of financial position as equity of unrestricted investment account holders.

Equity of unrestricted investments account holders is recognised when received and initially measured at cost. Subsequent to initial recognition, equity of unrestricted investments account holders are measured at amortised cost.

The allocation of profit of investments jointly financed by the Bank and investments account holders is determined by the management of the Bank within allowed profit sharing limits as per terms and conditions of the investment accounts. Such profit is measured after setting aside impairment provisions, if any. Impairment provision is made when the management considers that there is impairment in the carrying amount of assets financed by the investment account.

Administrative expenses in connection with management of the fund are charged to the common pool results.

3.17 Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income earned by the Group is recognised on the following basis:

Income from financing activities

Murabaha

Profit from Murabaha 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 the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Ijarah

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

Income from placements with financial institutions

Income from short term placements is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the expected profits.

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(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Recognition of income (continued)

Rental income

The Group recognises rental income from properties according to the rent agreements entered into between the Group and the tenants on an accrual basis over the period of the contract.

Revenue from non-banking activities

Revenue from non-banking activities relates to the Group's subsidiaries and it is primarily derived from sale of goods and services, which is recognised when all of the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income

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

Income from equity investments

Income from equity investments is described in note 3.10.

3.18 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 costs 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.

Employee's end of service benefits

The Group establishes a provision for all end of service benefits payable to employees in accordance with the Group's policies which comply with laws and regulations applicable to the Group. Liability is calculated on the basis of individual employee's salary and period of service at the financial position date. The provision for employees' end of service benefits is included within other liabilities.

3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.20 Contingent liabilities

Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these derivative financial instruments.

3.21 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. Segment reporting are disclosed in note 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.22 Income tax

a) Current income tax

The Bank is subject to income tax in Qatar in accordance with Decree no 13 for the year 2010 of the Minister of Economy and Finance addressing QFC Tax regulations applicable as of 1 January 2010. Income tax expense is charged to the consolidated income statement.

b) Deferred income tax

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

3.23 Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

3.24 Zakah

The Bank is not obliged to pay Zakah on its profits on behalf of shareholders. The Bank is required to calculate and notify individual shareholders of Zakah payable per share. These calculations are approved by the Bank's Shari'a Supervisory Board.

3.25 New standards and interpretations

a) New standards, amendments and interpretations effective from 1 January 2015

The following amendments, which became effective as of 1 January 2015 are relevant to the Group:

Financial Accounting Standard No. 23 (FAS 23) Consolidation

The Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) issued amendments to FAS 23. These amendments provide clarification and expand the scenarios for assessing control when an entity holds less than majority voting rights in an investee. In particular, the concept of de-facto control has been introduced.

The amendment clarifies that where the IFI has less than majority voting rights in an investee, control may also exist through:

- agreement with the entity's other shareholders or the entity itself;
- rights arising from other contractual arrangements;
- the IFI's voting rights (de facto power);
- potential voting rights; or
- a combination thereof.

Further, FAS 23 does not provide specific guidance for assessment of control over special purpose vehicles (SPVs) where the Bank has delegated power from its investors. The Bank previously referred to the relevant guidance in International Financial Reporting Standards (IFRSs). As a result of revision to IFRS 10 (consolidation), the Group has now also changed its accounting policy for determining when it has control over SPVs to be in line with IFRS 10. The new control model focuses on the scope of decision making authority over the SPV, rights held by other parties and the Bank's aggregate economic interest in the investee. In particular, expanded guidance has been provided to assess when the Group's power over an investee would be considered as those of a principal (primarily for its own benefit) and when it would be considered to be that of an agent (primarily for benefit of its investors). A principal will be required to consolidate the SPV where as an agent will not be required to consolidate the SPV.

The Group reassessed its control conclusion for its investees as of 1 January 2015, being the date of initial application of these amendments and this has not resulted in any changes in the Group's current conclusions on control and consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts are expressed in QAR thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.25 New standards and interpretations (continued)

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

Financial Accounting Standard No. 27 (FAS 27): Investment Accounts

AAOIFI has issued a new accounting standard on investment accounts - Financial Accounting Standard No. 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI's 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 unrestricted investment account holders and their equivalent.

This standard applies to investment accounts based on Mudaraba contracts which represent "Equity of unrestricted investment account holders 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.

FAS 27 is effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

The Group is currently assessing the impact of this standard for future periods.

4. USE OF ESTIMATES AND JUDGEMENTS

In the preparation of the consolidated financial statements, the management has used its judgements and estimates in determining the amounts recognised therein. The most significant use of judgements and estimates are as follows:

Classification of financial instruments

In the process of applying the Group's accounting policies, management decides on the acquisition of an investment, whether it should be classified as investments at fair value through income statement (held for trading or designated including venture capital investments), carried at amortised cost or fair value through equity. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

Classification as held-for-sale

The Group classified non-current assets (or disposal group) are held-for-sale when the carrying amount will be recovered principally through a sale transaction rather than continuing use. In such case, the asset is available for immediate sale in its present condition subject to only to terms that are usual and customary for sale of such assets and the sale is highly probable. Assessment of probability requires to exercise significant judgment whether sale will be concluded. The management considered all facts available and assessed the sale of the disposal group to be highly probable. Further, the asset is actively marketed for sale at a price that is reasonable in relation to its current fair value.

Fair value of equity investments that were valued using assumptions that are not based on observable market data

The Group uses significant judgements and estimates to determine fair value of investments valued using assumptions that are not based on observable market data.

Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in note 30.

Useful lives of tangible and intangible assets

The Group estimates the life of tangible and intangible assets with finite lives by taking account of the expected pattern of economic benefit that the Group expects to derive from the asset. This is based on the judgement of the Group after taking into consideration the useful lives of similar assets of comparable entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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5. CASH AND CASH EQUIVALENTS

	2015	2014
Cash on hand	86	4,914
Balances with banks (current account)	93,312	108,527
Placement with financial institutions	1,506,414	782,560
	1,599,812	896,001

Placements with financial institutions represent inter-bank placements in the form of Wakala, Murabaha and other Islamic investments. The average rate of return on Wakala, Murabaha and other Islamic investments is 0.87 % per annum (2014: 0.61%).

6. INVESTMENTS CARRIED AT AMORTISED COST

	2015	2014
Investments in sukuk	932,313	734,297
Unamortised premiums and discounts, net	11,103	13,923
	943,416	748,220

As at 31 December 2015, the fair value of the Group's investments in sukuk portfolio amounted to QAR 938 million (2014: QAR 755.3 million).

7. FINANCING ASSETS

	2015	2014
Murabaha financing	1,183,750	837,167
Ijarah receivable	90,500	109,200
Others	17,052	21,097
Total financing assets	1,291,302	967,464
Deferred profit	(178,572)	(134,018)
Allowance for impairment on financing assets - specific	(3,313)	-
Net financing assets	1,109,417	833,446

Murabaha finances, mainly represent murabaha facilities provided to investees and individual and corporate clients as a part of private bank operations. The average rate of return on murabaha financing is 5.63% per annum (2014: 6.67% per annum).

During 2015, the Bank sold a convertible murabaha receivables from one of its investees, which resulted in a gain of QAR 32.2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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8. ACCOUNTS RECEIVABLE

Accounts receivable comprises of the following:

	2015	2014
Trade debtors	28,261	136,219
Less: Allowance for impairment for doubtful debts	(2,544)	(2,544)
	25,717	133,675

9. INVENTORIES

Inventories comprise the following:

	2015	2014
Raw materials	25,307	34,637
Semi-finished goods	9,361	6,516
Finished goods	10,496	6,891
Less: Write down to net realisable value	(2,244)	(2,504)
	42,920	45,540

10. EQUITY INVESTMENTS

	2015	2014
Investments at fair value through equity (Note 10.1)	125,403	127,509
Investments at fair value through income statement (Note 10.2)	1,283,546	1,349,457
	1,408,949	1,476,966

10.1 Investments at fair value through equity

Investments at fair value through equity comprise equity investments as follows:

	2015	2014
Quoted*	99,115	101,221
Unquoted**	26,288	26,288
	125,403	127,509

* The investment's fair value is determined based on prevailing bid prices in an active market.

**Unquoted equity securities of QAR 26.3 million (31 December 2014: QAR 26.3 million) are carried at cost less impairment in the absence of reliable measure of fair value.

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10. EQUITY INVESTMENTS (continued)

10.2 Investments at fair value through income statement

Investments at fair value through income statement comprise equity investments as follows:

	2015			2014		
Investment type						
Venture capital investments	1,013,180			961,855		
Other investments at fair value through income statement	270,366			387,602		
	1,283,546			1,349,457		

	31 December 2015			31 December 2014		
	Investments at fair value through equity	Investments at fair value through income statement	Total	Investments at fair value through equity	Investments at fair value through income statement	Total
At the beginning of year	127,509	1,349,457	1,476,966	43,360	969,612	1,012,972
Additions	-	33,913	33,913	126,370	230,965	357,335
Disposal	-	(237,959)	(237,959)	(16,424)	(90,778)	(107,202)
Fair value adjustments	(2,106)	138,135	136,029	(25,797)	239,658	213,861
At the end of the year	125,403	1,283,546	1,408,949	127,509	1,349,457	1,476,966

11. INVESTMENTS IN REAL ESTATE

	2015	2014
Investment in real estate held-for-use	-	206,159
Investment in real estate held-for-sale	-	66,961
	-	273,120

The table below summarises the movement in investments in real estate during the year:

	31 December 2015			31 December 2014		
	Investments in real estate held-for-use	Investments in real estate held-for-sale	Total	Investments in real estate held-for-use	Investments in real estate held-for-sale	Total
At the beginning of year	206,159	66,961	273,120	223,987	-	223,987
Additions	2,470	-	2,470	42,792	-	42,792
Disposal	-	(66,961)	(66,961)	-	-	-
Transfer	-	-	-	(66,961)	66,961	-
Reclassification to assets held-for-sale	(208,629)	-	(208,629)	-	-	-
Fair value adjustments	-	-	-	6,341	-	6,341
At the end of the year	-	-	-	206,159	66,961	273,120

During 2015 investment in real estate held-for-sale of QAR 66.9 million was sold which resulted in a gain of QAR 16.9 million.

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12. FIXED ASSETS

	Plant and machinery	Land and buildings	Equipment	Furniture and fixture	Building renovations	Motor vehicles	Capital work in progress	Total
Cost								
As at 1 January 2014	69,397	72,556	35,432	29,116	3,935	1,685	837	212,958
Additions	1,176	-	4,699	349	6,421	371	6,814	19,830
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(15)	-	-	(311)	-	(326)
As at 31 December 2014	70,573	72,556	40,116	29,465	10,356	1,745	7,651	232,462
Additions	4,013	-	8,000	32,642	3,165	211	248	48,279
Transfers	-	-	550	5,308	-	-	(5,858)	-
Disposals	-	-	(2)	-	-	(46)	-	(48)
Reclassification to assets of disposal group classified as held-for- sale	-	-	(26,141)	(3,969)	(11,318)	(211)	-	(41,639)
As at 31 December 2015	74,586	72,556	22,523	63,446	2,203	1,699	2,041	239,054
Accumulated depreciation								
As at 1 January 2014	34,591	5,132	21,986	15,339	1,489	1,030	-	79,567
Depreciation charge*	3,713	830	6,468	3,946	1,015	168	-	16,140
Disposals/transfer	-	-	(11)	-	-	(313)	-	(324)
As at 31 December 2014	38,304	5,962	28,443	19,285	2,504	885	-	95,383
Depreciation charge*	4,522	965	5,816	4,308	1,388	248	-	17,247
Disposals/transfer	-	-	(569)	336	231	(46)	-	(48)
Reclassification to assets of disposal group classified as held-for- sale	-	-	(14,936)	(2,410)	(2,483)	(32)	-	(19,861)
As at 31 December 2015	42,826	6,927	18,754	21,519	1,640	1,055	-	92,721
Net book amount								
As at 31 December 2014	32,269	66,594	11,673	10,180	7,852	860	7,651	137,079
As at 31 December 2015	31,760	65,629	3,769	41,927	563	644	2,041	146,333

*Depreciation charge of QAR 17.2 million (2014: QAR 16.1 million) and amortisation charge (note 13) of 10.1 million (2014: 8.9 million) include aggregately 9.1 million charges attributable to the Bank and remaining to non-banking activities.

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13. INTANGIBLE ASSETS

	Software and core banking system	Brand and contractual relationships	Total
As at 1 January 2014			
Cost			
Beginning balance	16,879	34,969	51,848
Additions during the year	9,504	-	9,504
At 31 December 2014	26,383	34,969	61,352
Amortisation			
Beginning balance	8,830	9,146	17,976
Amortisation charge for the year	2,529	6,456	8,985
At 31 December 2014	11,359	15,602	26,961
Net book value as at 31 December 2014	15,024	19,367	34,391
As at 1 January 2015			
Cost			
Beginning balance	26,383	34,969	61,352
Additions during the year	7,149	-	7,149
Reclassification to assets of disposal group classified as held-for-sale	(3,964)	(34,969)	(38,933)
At 31 December 2015	29,568	-	29,568
Amortisation			
Beginning balance	11,359	15,602	26,961
Amortisation charge for the year	3,598	6,456	10,054
Reclassification to assets of disposal group classified as held-for-sale	-	(22,058)	(22,058)
At 31 December 2015	14,957	-	14,957
Net book value at 31 December 2015	14,611	-	14,611

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14. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

A non-group entity is currently finalising negotiation with the Bank to invest into two of its subsidiaries (referred as "Disposal Group"). As a consequence of this highly probable investment from the non-group entity, which is expected to take place during 2016, the Bank will lose its control and will retain significant influence in the Disposal Group (a deemed disposal).

Accordingly, the assets and liabilities of the Disposal Group has been presented in the consolidated statement of financial position as "held-for-sale" and in the consolidated income statement as "discontinued operation" as they represent a separate major line of business. The comparative consolidated income statement is re-presented as if the operation had been discontinued from the start of the comparative year.

a) Assets and liabilities of disposal group classified as held-for-sale

At 31 December 2015, assets and liabilities of disposal group classified as held-for-sale comprised the following.

	2015	2014
Assets of disposal group classified as held-for-sale		
Cash and cash equivalents	4,151	-
Other assets including accounts receivable	279,726	-
Inventories	7,625	-
Investments in real estate	208,629	-
Fixed assets	21,778	-
Intangible assets	16,875	-
	538,784	-
Liabilities of disposal group classified as held-for-sale		
Financial liabilities	249,592	-
Other liabilities	108,067	-
	357,659	-

Carrying amount of investments in real estate include fair value QAR 5 million recognised in property fair value reserve as at 31 December 2015.

b) Results of discontinued operations

Analysis of the result of discontinued operations is as follows:

	2015	2014
Revenue	306,957	240,368
Expenses	(297,213)	(239,995)
Net income from discontinued operations	9,744	373
Attributable to		
- Equity holders of the Bank	8,874	1,562
- Non-controlling interest	870	(1,189)

c) Cash flows

	2015	2014
Operating cash flows	(29,190)	34,845
Investing cash flows	(9,254)	(50,519)
Financing cash flows	30,647	19,395
Total cash flows	(7,797)	3,721

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. OTHER ASSETS

Other assets comprise the following:

	2015	2014
Prepayments	10,175	59,794
Refundable deposits	840	6,028
Due from related parties (note 27)	2,969	2,745
Due from employees	370	309
Other receivables *	15,523	20,210
	29,877	89,086

*Other receivables include accrued income of sukuk of QAR 8 million (2014: QAR 7.2 million).

16. FINANCING LIABILITIES

	2015	2014
Murabaha financing	195,203	236,283
Ijara financing	22,377	28,345
Islamic debt factoring	–	150,576
Other Islamic financing liabilities	666	4,222
	218,246	419,426

As at 31 December 2015, equity investments with the carrying amount of QAR 455 million were pledged against murabaha financing (2014: QAR 379 million).

17. OTHER LIABILITIES

	2015	2014
Accounts payable	36,182	96,307
Staff-related payables	28,597	55,539
Dividends payable	26,196	18,684
Accrued expenses	9,080	16,063
Due to related parties (note 27)	–	1,201
Unearned revenue	391	284
Advances and other payables	5,640	6,054
	106,086	194,132

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18. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

a) By type

	2015	2014
Term accounts	3,038,667	1,809,022
Profit payable to equity of unrestricted investment account holders	15,708	7,491
	3,054,375	1,816,513

b) By sector

	2015	2014
Individual	204,648	55,568
Government	162,133	20,324
Corporate	2,687,594	1,740,621
	3,054,375	1,816,513

Due to the terms of profit share ratios on mudaraba agreements and in order to align to general market profit rates, the Bank increased the income of the unrestricted investment account holders by waiving some of its share of profit as Mudarib. The share of profit waived amounted to QAR 23.2 million (2014: QAR 13.4 million) as presented in below table:

	2015	2014
Return on equity of unrestricted investment account holders in the profit before Bank's Mudaraba income	57,914	31,249
Less:		
– Return on unrestricted investment accountholders	(31,083)	(13,960)
– Share of profit waived by the Bank in favour of unrestricted investment account holders	(23,244)	(13,435)
Total return to unrestricted investment account holders	(54,327)	(27,395)
Bank's net mudaraba income	3,587	3,854

19. SHARE CAPITAL

	2015	2014
Authorized		
250,000,000 ordinary shares (2014: 250,000,000 ordinary shares) of QAR 10 each	2,500,000	2,500,000
Issued and paid		
200,000,000 ordinary shares (2014: 200,000,000 ordinary shares) of QAR 10 each	2,000,000	2,000,000

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20. NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Future Card Industries, Al Wasita Emirates for Catering Services LLC and Isnad Catering Services WLL of 28.7%, 15% and 25% respectively (31 December 2014: 28.7%, 15% and 25% respectively).

21. REVENUE AND EXPENSES FROM NON-BANKING ACTIVITIES

	2015	2014
Sales	109,480	115,550
Other income	358	1,184
Revenue from non-banking activities	109,838	116,734
Cost of sales	(80,763)	(83,208)
Other expenses	(23,713)	(24,913)
Finance costs	(1,251)	(1,870)
Non-banking activity expenses	(105,727)	(109,991)
Net income from non-banking activities	4,111	6,743

22. OTHER INCOME

	2015	2014
Rental income	11,185	12,434
Other income	13,193	7,822
	24,378	20,256

23. OTHER OPERATING EXPENSES

	2015	2014
Rent expense	22,568	22,830
Directors' remuneration	–	13,242
Professional services	10,217	16,409
Other general and administrative expenses	22,294	11,224
	55,079	63,705

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24. BASIC / DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net income attributable to the Banks' equity holders and the weighted average number of shares outstanding during the year.

	2015	2014
Net profit attributable to the shareholders of the Bank from continuing operations	57,131	156,844
Net profit attributable to the equity holders of the Bank from discontinued operations (note 14.b)	8,874	1,562
Net profit for the year attributable to the equity holders of the Bank	66,005	158,406
Total weighted average number of shares	200,000	200,000
Basic earnings per share from continuing operations - QAR	0.29	0.78
Basic earnings per share from discontinued operations - QAR	0.04	0.01
Basic earnings per share	0.33	0.79

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

25. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the year-end:

	2015	2014
Letters of credit	6,465	6,181
Letters of guarantee	73,908	61,953
Unutilised credit facilities	124,495	123,662
	204,868	191,796

26. COMMITMENTS

	2015	2014
Commitment for operating lease		
Later than one year	96,232	113,179
No later than one year	29,100	24,133
	125,332	137,312
Investment related commitment	28,367	30,208
Commitment for operating and capital expenditure	4,137	37,503
	157,836	205,023

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27. RELATED PARTIES TRANSACTIONS AND BALANCES

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 senior management personnel of the Group, close family members, entities owned or controlled by them, associates and affiliated companies.

The year-end balances in respect of related parties included in the financial statements are as follows:

	2015	
	Affiliated entities	Associates
a) Consolidated statement of financial position		
Financing assets (note 7)	-	125,637
Other assets (note 15)	2,969	-
Other liabilities (note 17)	-	-
Assets of disposal group classified as held-for-sale	2,847	-
Liabilities of disposal group classified as held-for-sale	1,357	-
b) Consolidated income statement		
Income from financing assets	-	14,311
Revenue from non-banking activities	9	-
	2014	
	Affiliated entities	Associates
a) Consolidated statement of financial position		
Financing assets (note 7)	-	145,583
Other assets (note 15)	2,745	-
Other liabilities (note 17)	1,201	-
b) Consolidated income statement		
Income from financing assets	-	10,335
Other income	-	4,189
Revenue from non-banking activities	5	-
c) Compensation of key management personnel		
	2015	2014
Senior management personnel	15,260	15,188
Senior management personnel - disposal group	15,417	14,065
Directors' remuneration	-	13,242
Shari'a Supervisory Board remuneration	578	510
	31,255	43,005

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28. ZAKAH

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners. Zakah payable by the owners is computed by the Group on the basis of the method prescribed by the Shari'a Supervisory Board of the Bank and notified to the Owners. Zakah payable by the owners, for the year ended 31 December 2015 was QAR 0.1150 for every share held (2014: QAR 0.1148).

29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

Financial instruments definition and classification

Financial instruments comprise all financial assets and liabilities of the Group. Financial assets include cash and cash equivalents, investment carried at amortised cost, financing assets, accounts receivable, equity investments and other financial assets. Financial liabilities include customer balances, due to banks and other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-balance sheet items.

Note 3 explains the accounting policies used to recognise and measure the significant financial instruments and their respective income and expenses items.

Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Fair value is determined for each investment individually in accordance with the valuation policies adopted by the Group as set out in note 3.10.

Risk management

Risk is an inherent part of the Group's business activities. The Group's risk management and governance framework is intended to provide progressive controls and continuous management of the major risks associated with the Group's activities. Risks are managed by a process of identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability. Each business unit within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to investment and credit risk, liquidity risk, market risk and operational risks, as well as concentration risk and other external business risks. The Group's ability to properly identify measure, monitor and report risk is a core element of the Group's operating philosophy and profitability.

Risk framework and governance

The Group's risk management process is an integral part of the organisation's culture and is embedded into all of its practices and processes. The Board of Directors (the Board), and a number of Board's subcommittees including Executive Committee; and Audit, Risk and Compliance Committee; management committees; and senior management and line managers all contribute to the effective, Group wide, management of risk.

The Board has overall responsibility for establishing the Group's risk culture and ensuring that an effective risk management framework is in place. The Board approves and periodically reviews the Group's risk management policies and strategies.

The Audit, Risk and Compliance Committee is tasked with implementing risk management policies, guidelines and limits as well as ensuring that monitoring processes are in place. The Risk Management Department provides independent monitoring to both the Board and the Audit, Risk and Compliance Committee whilst also working closely with the business units which ultimately own and manage the risks.

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29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Investment risk

Venture capital investment risks are identified and assessed via extensive due diligence activities conducted by the respective investment departments. The Group's investments in venture capital are by definition in illiquid markets, frequently in emerging markets. Such investments cannot generally be hedged or liquidated easily. Consequently, the Group seeks to mitigate its risks via more direct means. Post-acquisition risk management is rigorously exercised, mainly via board representation within the investee company, during the life of the private equity transaction. Periodic reviews of investments are undertaken and presented to the Investment Committee for review. Concerns over risks and performance are addressed via the investment area responsible for managing the investment under the oversight of the Investment Committee.

Credit risk

Credit risk is the risk that the Group will incur a loss of principal or profit earned because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related parties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the maximum exposure to credit risk for the relevant components of the financial position.

	2015	2014
Balances with banks	93,312	108,527
Placements with financial institutions	1,506,414	782,560
Financing assets	1,109,417	833,446
Accounts receivable	25,717	133,675
Other financial assets	29,877	89,086
Investments carried at amortised cost	943,416	748,220
	3,708,153	2,695,514

As at 31 December 2015 total gross amount of past due and impaired financing assets was QAR 75.5 million (2014: nil) and overdue installment amount was QAR 10.4 million, which is 0.8% of the gross amount of financing assets (2014: nil). The remaining balance is neither past due nor impaired (2014: nil).

Risk

All financial assets, other than balances with banks and placement with financial institutions and investments carried at amortised cost, have no external credit rating. The credit quality analysis of balances with banks and placements with financial institutions is summarised below:

	2015	2014
AAA to A-	1,596,809	788,570
BBB+ to B-	2,917	1,434
Unrated	—	101,083

Investments carried at amortised cost of QAR 943 million (2014: QAR 748 million) are represented by listed sukuk whose rating ranged from BBB- to A+.

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29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. At 31 December 2015 the Group had balances with 3 counterparty banks (2014: 2 banks) with aggregated amounts above QAR 250 million. The total aggregate amount of these deposits was QAR 1.26 billion (2014: QAR 689.4 million).

The analysis by geographical region of the Group's financial assets having credit risk is as follows:

	2015	2014
Qatar	2,690,274	1,571,413
United Arab Emirates	485,659	652,088
Asia & Middle East	307,841	205,271
North America	25,022	1,347
Europe & Others	199,357	265,395
	3,708,153	2,695,514

The distribution of financial assets items by industry sector is as follows:

	2015	2014
Financial services	2,153,333	1,320,727
Industrial	20,135	19,176
Real estate and construction	872,748	557,197
Technology	4,957	11,637
Oil & gas	–	188,967
Others	656,980	597,810
	3,708,153	2,695,514

Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group will not have sufficient funds available to meet its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Treasury department receives information from the Financial Control Department regarding the liquidity profile of the Bank's financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained within the Bank as a whole.

All liquidity policies and procedures are subject to review and approval by Assets-Liabilities Management Committee (ALCO) which also regularly receives reports relating to the Bank's liquidity position.

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29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Liquidity risk and funding management (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
At 31 December 2015							
Assets							
Cash and cash equivalents	93,400	1,506,412	–	–	–	–	1,599,812
Investments carried at amortised cost	–	–	–	82,997	860,419	–	943,416
Financing assets	10,459	70,718	56,734	125,983	845,523	–	1,109,417
Accounts receivable	–	20,908	2,033	467	2,309	–	25,717
Equity investments	–	–	15,351	120,720	1,272,878	–	1,408,949
Other financial assets	–	7,845	8,820	8,132	1,765	3,315	29,877
Total financial assets	103,859	1,605,883	82,938	338,299	2,982,894	3,315	5,117,188
Liabilities and equity of unrestricted investment account holders							
Financing liabilities	666	5,943	1,771	106,496	103,370	–	218,246
Customers' current accounts	23,426	–	–	–	–	–	23,426
Other financial liabilities	26,196	56,591	7,276	6,229	–	9,794	106,086
Equity of unrestricted investment account holders	–	2,333,659	633,858	86,858	–	–	3,054,375
Total financial liabilities	50,288	2,396,193	642,905	199,583	103,370	9,794	3,402,133
Net liquidity gap	53,571	(790,310)	(559,967)	138,716	2,879,524	(6,479)	1,715,055
Net cumulative gap	53,571	(736,739)	(1,296,706)	(1,157,990)	1,721,534		
Contingent liabilities	–	37,202	8,163	4,112	21,290	134,101	204,868
Commitments	–	32,504	14,550	14,550	96,232	–	157,836

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29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Liquidity risk and funding management (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
At 31 December 2014							
Assets							
Cash and cash equivalents	113,419	782,582	-	-	-	-	896,001
Investments carried at amortised cost	-	-	-	-	748,220	-	748,220
Financing assets	2,366	63,016	3,753	116,247	648,064	-	833,446
Accounts receivable	-	55,077	15,506	62,765	327	-	133,675
Equity investments	-	-	-	385,956	1,091,010	-	1,476,966
Other financial assets	-	12,318	6,417	8,860	45,438	16,053	89,086
Total financial assets	115,785	912,993	25,676	573,828	2,533,059	16,053	4,177,394
Liabilities and equity of unrestricted investment account holders							
Financing liabilities	-	120,360	32,141	43,345	223,580	-	419,426
Customers' current accounts	26,372	-	-	-	-	-	26,372
Other financial liabilities	18,684	71,111	75,483	9,249	3,531	16,074	194,132
Equity of unrestricted investment account holders	-	1,656,458	144,930	10,043	5,082	-	1,816,513
Total financial liabilities	45,056	1,847,929	252,554	62,637	232,193	16,074	2,456,443
Net liquidity gap	70,729	(934,936)	(226,878)	511,191	2,300,866	(21)	1,720,951
Net cumulative gap	70,729	(864,207)	(1,091,085)	(579,894)	1,720,972		
Contingent liabilities	-	3,490	29,240	32,355	2,963	123,748	191,796
Commitments	-	37,593	41,459	12,884	113,177	-	205,023

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as profit rates, foreign exchange rates, equity prices and commodities. The Group classifies exposures to market risk into either listed or non-listed corporate investments.

a) Listed equity investments

The Group has certain exposure to equity price risk mainly due to some equity investments being listed in stock exchanges. At 31 December 2015, if equity prices at that date had been 5% higher/lower with all other variables held constant, net income for the year would have been nil (2014: QAR 11.5 million) higher/lower and fair value reserve would have been QAR 4.9 million (2014: QAR 5.1 million) higher/lower.

b) Non-listed equity investments

Sensitivities on non-listed equity investments are disclosed in note 30.

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29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group's current exposure to profit rate risk is limited to the following:

- The Group's placement with the financial institutions (classified as "Placements with financial institutions");
- The Group's investment portfolio of Sukuk (classified as "Investments at amortised cost");
- The Group's investments in murabaha (classified as "Financing assets"); and
- Amounts borrowed by the Group from financial institutions (classified as "Financing liabilities").

The following table demonstrates the sensitivity to a 100 basis point (bp) change in profit rates, with all other variables held constant. The effect of decreases in profit rate is expected to be equal and opposite to the effect of the increases shown.

	2015	Change in basis points (+/-)	Effect on net profit (+/-)
Assets			
Placements with financial institutions	1,506,414	100	15,064
Investments carried at amortised cost	943,416	100	9,434
Financing assets	1,109,417	100	11,094
Liabilities and Equity of unrestricted investment account holders			
Customers' current accounts	23,426	100	(234)
Financing liabilities	218,246	100	(2,182)
Equity of unrestricted investment account holders	3,054,375	100	(30,544)
			2,632

	2014	Change in basis points (+/-)	Effect on net profit (+/-)
Assets			
Placements with financial institutions	782,560	100	7,826
Investments carried at amortised cost	748,220	100	7,482
Financing assets	833,446	100	8,334
Liabilities and equity of unrestricted investment account holders			
Customers' current accounts	26,372	100	(264)
Financing liabilities	419,426	100	(4,194)
Equity of unrestricted investment account holders	1,816,513	100	(18,165)
			1,019

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29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored regularly to ensure that positions are maintained within established limits.

The table below indicates the currencies that are pegged to the Qatari Riyals and, hence the foreign exchange risk for the Group in respect of these currencies is minimal.

Currency	Exposure (QAR equivalent)	
	2015	2014
USD	1,372,307	1,091,490
AED	56,442	348,705
SAR	417	-

The table below shows the impact of a 5% movement in the currency rate, for other than those pegged to the Qatari Riyals, against the Qatari Riyals, with all other variables held constant on the consolidated income statement and the consolidated statement of changes in Owners' equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

Currency	Exposure (QAR equivalent)		Effect on net profit (+/-)	
	2015	2014	2015	2014
GBP	76,678	74,021	3,834	3,701
EUR	(1,012)	6,778	(51)	339
JOD	855	757	43	38
TRY	564,200	564,200	28,210	28,210
KWD	33	33	2	2

Commodities price risk

The Group does not currently have a commodities portfolios; hence it has no exposure to commodity price risks.

Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department facilitates the management of operational risk by way of assisting in the identification of, monitoring and managing of operational risk in the Bank. The Bank has Risk and Control Assessments and Key Risk Indicators in place for each department.

Concentration risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location or individual obligor.

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29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximise Owners' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to Owners, return capital to Owners or issue new capital. The QFCRA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the QFCRA requires the Group to maintain a minimum capital adequacy ratio of 10.5% as prescribed by the Banking Business Prudential Rules of 2014.

The Group's capital resources are divided into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and non-controlling interest after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes the fair value reserve relating to unrealised gains on equity instruments classified as investments at fair value through equity and currency translation reserve.

Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is at all times to meet or exceed the capital requirements determined by the QFCRA. There have been no material changes in the Group's management of capital during the year. The Group's capital adequacy ratio, calculated in accordance with the capital adequacy guidelines issued by the QFCRA, is as follows:

	2015	2014
Total risk weighted assets	9,670,524	9,067,600
Share capital	2,000,000	2,000,000
Retained earnings	68,319	162,314
Reserves	(22,243)	(3,152)
Non-controlling interest	53,968	51,919
Intangible assets	(14,611)	(34,391)
Total qualifying capital and reserve funds	2,085,433	2,176,690
Total capital resources expressed as a percentage of total risk weighted assets	21.56%	24.01%

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are accounted for under the historical cost method with the exception of equity investments. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices and the use of valuation techniques such as discounted cash flow analysis.

Set out below is a comparison of the carrying amounts and fair values of financial instruments:

31 December 2015	Carrying Amount	Fair Value
Financial Assets		
Cash and cash equivalents	1,599,812	1,599,812
Investments carried at amortised cost	943,416	938,034
Financing assets	1,109,417	1,109,417
Equity investments	1,408,949	1,408,949
Accounts receivable	25,717	25,717
Other financial assets	29,877	29,877
	5,117,188	5,111,806
Financial Liabilities		
Financing liabilities	218,246	218,246
Customers' current accounts	23,426	23,426
Equity of unrestricted investment account holders	3,054,375	3,054,375
Other financial liabilities	106,086	109,726
	3,402,133	3,405,773
31 December 2014	Carrying Amount	Fair Value
Financial Assets		
Cash and cash equivalents	896,001	896,001
Investments carried at amortised cost	748,220	755,300
Financing assets	833,446	833,446
Equity investments	1,476,966	1,476,966
Accounts receivable	133,675	133,675
Other financial assets	89,086	89,086
	4,177,394	4,184,474
Financial Liabilities		
Financing liabilities	419,426	419,426
Customers' current accounts	26,372	26,372
Equity of unrestricted investment account holders	1,816,513	1,816,513
Other financial liabilities	194,132	194,132
	2,456,443	2,456,443

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

31 December 2015	Level 1	Level 2	Level 3	Total
Equity investments				
• at fair value through equity	99,115	–	26,288	125,403
• at fair value through income statement	–	–	1,283,546	1,283,546
Net gains and losses included in the consolidated statement of changes in owners' equity	(2,106)	–	–	(2,106)
Net gains and losses, recognized through consolidated income statement	–	–	138,135	138,135
31 December 2014	Level 1	Level 2	Level 3	Total
Equity investments				
• at fair value through equity	101,221	–	26,288	127,509
• at fair value through income statement	229,589	–	1,119,868	1,349,457
Net gains and losses included in the consolidated statement of changes in owners' equity	(25,794)	–	–	(25,794)
Net gains and losses, recognized through consolidated income statement	7,801	–	231,857	239,658

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investments carried at amortised cost for which the fair value amounts to QAR 938 million (31 December 2014: QAR 755.3 million) is derived using Level 1 fair value hierarchy.

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30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The below table summarises the valuation technique and inputs used in the fair value measurement at 31 December 2015 and 2014 for level three investments, measured at fair value:

	Valuation technique	Inputs used	Range of inputs	
			2015	2014
Investments at fair value through income statement	Discounted cash flows ("DCF")	Growth rate	1% to 5%	1% to 5%
		Discount rate	10% to 17.1%	10% to 17.2%

Movements in level 3 financial instruments

The following table shows the reconciliation of the opening and closing amount of Level 3 investments which are recorded at fair value:

	At 1 January 2015	Total gains recorded in consolidated income statement	Purchases	Sales/ transfers	At 31 December 2015
Equity investments					
• at fair value through equity	26,288	–	–	–	26,288
• at fair value through income statement	1,119,868	138,135	33,913	(8,370)	1,283,546
	1,146,156	138,135	33,913	(8,370)	1,309,834

	At 1 January 2014	Total gains recorded in consolidated income statement	Purchases	Sales/ transfers	At 31 December 2014
Equity investments					
• at fair value through equity	26,288	–	–	–	26,288
• at fair value through income statement	666,815	231,857	230,965	(9,769)	1,119,868
	693,103	231,857	230,965	(9,769)	1,146,156

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2015.

The effect on the valuations due to possible changes in key variables used for valuations:

- **Growth rate:** Growth rates are assumed to be in range of 1% to 5% (2014: 1% to 5%) based on actual and expected performance of the investee. Should the growth rates increase / decrease by 1 percentage point (2014: 1 percentage point), the carrying value of the investments would be QAR 103.3 million higher / QAR 82.9 million lower (2014: QAR 56.4 million higher / QAR 38.9 million lower);
- **Discount rate:** The discount rates are assumed to be in range of 10% - 17.1% (2014: 10% - 17.2%) for different investments. Should these discount rates increase / decrease by 1 percentage point (2014: 1 percentage point), the carrying value of the investments would be QAR 122.4 million lower / QAR 152.1 million higher (2014: QAR 86.6 million lower / QAR 60 million higher);
- **Expected cash flows:** Amount of expected cash flows and timing thereof are key variables in valuation of the investments. Should the amount of expected cash flows increase / decrease by 1 percentage point (2014: 1 percentage point), the carrying value of the investments would be QAR 11.5 million higher / lower (2014: QAR 9.5 million higher/lower).

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(All amounts are expressed in QAR thousands unless otherwise stated)

31. SEGMENT INFORMATION

For management purposes, the Group has three reportable segments, as described below. The reportable segments offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the reportable segments, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments

Alternative Investments

The Group's alternative investments business segment includes direct investment in the venture capital business and real estate asset classes. Alternative investments business is primarily responsible to acquire large or significant stakes, with board representation, in well managed companies and assets that have strong, established market positions and the potential to develop and expand. The team works as partners with the management of investee companies to unlock value through enhancing operational and financial performance in order to maximize returns. This segment seeks investments opportunities in growth sectors within the GCC and MENA region, as well as Turkey and United Kingdom, but remains opportunistic to attractive investment propositions outside of the geographies identified.

Private Bank

The Group's private bank business segment includes private banking, corporate & institutional banking and treasury services. The Private banking department targets qualified High Net Worth clients with Sharia compliant up-market products and services that address personal, business and wealth requirements. The services offered under the private banking department includes advisory, deposit accounts, brokerage, funds and investments, treasury Forex products, plain vanilla & specialized financing, credit card and Elite services. The corporate & institutional banking department offers deposits accounts and plain vanilla & specialized financing solutions for corporates in Qatar, the GCC and the broader region for sectors and applications currently underserved by regional banks. The treasury department is offering short term liquid investments and FX products to banking clients, deploying the bank's liquidity as well as leading the product development and idea conceptualization function.

Other

Unallocated assets, liabilities and revenues are related to some central management and support functions of the Group. Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management.

Segment assets and liabilities

The Group does not monitor segments on the basis of segment assets and liabilities and do not possess detailed information thereof. Consequently, disclosure of segment assets and liabilities are not presented in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. SEGMENT INFORMATION (continued)

31 December 2015	Alternative Investments	Private Bank	Other	Total
Income				
Revenue from non-banking activities	109,838	–	–	109,838
Gain on re-measurement of investments at fair value through income statement	138,135	–	–	138,135
Dividends income	8,232	–	–	8,232
Profit on investments carried at amortised cost	–	21,450	–	21,450
Gain on disposal of investments carried at amortised cost	–	2,541	–	2,541
Loss on disposal of equity investments	(29,360)	–	–	(29,360)
Gain on disposal of investment in real estate	16,961	–	–	16,961
Gain from disposal of convertible murabaha	32,241	–	–	32,241
Income from financing assets	26,063	30,077	–	56,140
Income from placements with financial institutions	–	10,312	–	10,312
Other income	9,526	3,650	11,202	24,378
Total income before return to unrestricted investment account holders	311,636	68,030	11,202	390,868
Less: Return to unrestricted investment account holders	–	54,327	–	54,327
Total segment income	311,636	13,703	11,202	336,541
Expenses				
Non-banking activity expenses	105,727	–	–	105,727
Staff costs	16,519	20,453	53,834	90,806
Financing costs	14,179	–	–	14,179
Depreciation and amortization	–	–	9,127	9,127
Other operating expenses	3,810	7,801	43,468	55,079
Total segment expenses	140,235	28,254	106,429	274,918
Less: Allowance for impairment on financing assets – specific	–	3,313	–	3,313
Net profit / (loss) from segment continuing operations before tax	171,401	(17,864)	(95,227)	58,310
Income tax expense	–	–	–	–
Net profit / (loss) from segment continuing operations	171,401	(17,864)	(95,227)	58,310
Profit from held-for-sale operations, net of tax	9,744	–	–	9,744
Reportable segment profit / (loss)	181,145	(17,864)	(95,227)	68,054

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

31. SEGMENT INFORMATION (continued)

31 December 2014	Alternative Investments	Private Bank	Other	Total
Income				
Revenue from non-banking activities	116,734	-	-	116,734
Gain on re-measurement of investments at fair value through income statement	239,658	-	-	239,658
Dividends income	21,414	-	-	21,414
Profit on investments carried at amortised cost	-	17,629	-	17,629
Gain on disposal of investments carried at amortised costs	-	-	-	-
Gain on disposal of equity investments	10,728	-	-	10,728
Income from financing assets	24,894	10,373	-	35,267
Income from placements with financial institutions	-	5,253	-	5,253
Other income	4,190	3,631	12,435	20,256
Total income before return to unrestricted investment account holders	417,618	36,886	12,435	466,939
Less: Return to unrestricted investment account holders	-	27,395	-	27,395
Total segment income	417,618	9,491	12,435	439,544
Expenses				
Non-banking activity expenses	109,991	-	-	109,991
Staff costs	28,119	17,028	46,706	91,853
Financing costs	6,654	-	-	6,654
Depreciation and amortization	-	-	8,562	8,562
Other operating expenses	14,432	5,391	43,882	63,705
Total segment expenses	159,196	22,419	99,150	280,765
Net / (loss) profit from segment continuing operations before tax	258,422	(12,928)	(86,715)	158,779
Income tax expense	-	-	-	-
Net profit / (loss) from segment continuing operations	258,422	(12,928)	(86,715)	158,779
Profit from held-for-sale operations, net of tax	373	-	-	373
Reportable segment profit / (loss)	258,795	(12,928)	(86,715)	159,152

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts are expressed in QAR thousands unless otherwise stated)

31. SEGMENT INFORMATION (continued)

Geographical segment information

The Group currently operates in two geographic markets namely Qatar and other countries.

The following tables show the distribution of the Group's net income by geographical segments, based on the location in which the transactions are recorded during the year.

31 December 2015	Qatar	Others	Total
Income			
Revenue from non-banking activities	–	109,838	109,838
Gain on re-measurement of investments at fair value through income statement	10,920	127,215	138,135
Dividend income	1,680	6,552	8,232
Profit on investments carried at amortised cost	2,813	18,637	21,450
Gain on disposal of investments carried at amortised cost	–	2,541	2,541
Loss on disposal of equity investments	–	(29,360)	(29,360)
Gain on disposal of investment in real estate	–	16,961	16,961
Gain from disposal of convertible murabaha	–	32,241	32,241
Income from financing assets	30,077	26,063	56,140
Income from placements with financial institutions	9,889	423	10,312
Other income	23,783	595	24,378
TOTAL INCOME BEFORE RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	79,162	311,706	390,868
Less: Return to unrestricted investment account holders	54,327	–	54,327
Total income	24,835	311,706	336,541
Expenses			
Non-banking activity expenses	–	105,727	105,727
Staff costs	90,806	–	90,806
Financing costs	–	14,179	14,179
Depreciation and amortisation expenses	9,127	–	9,127
Other operating expenses	55,079	–	55,079
Total expenses	155,012	119,906	274,918
Less: Allowance for impairment on financing assets - specific	3,313	–	3,313
Add: Profit from held-for-sale operations, net of tax	1,125	8,619	9,744
Income / (loss) before tax	(132,365)	200,419	68,054
Income tax	–	–	–
Net profit / (loss) for the year	(132,365)	200,419	68,054

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AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2015

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31. SEGMENT INFORMATION (continued)

31 December 2014	Qatar	Others	Total
Income			
Revenue from non-banking activities	-	116,734	116,734
Gain on re-measurement of investments at fair value through income statement	10,556	229,102	239,658
Dividend income	1,470	19,944	21,414
Profit on investments carried at amortised cost	2,923	14,706	17,629
Gain on disposal of investments carried at amortised cost	-	-	-
Gain on disposal of equity investments	-	10,728	10,728
Gain on disposal of investment in real estate	-	-	-
Income from financing assets	10,373	24,894	35,267
Income from placements with financial institutions	368	4,885	5,253
Other income	16,066	4,190	20,256
TOTAL INCOME BEFORE RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	41,756	425,183	466,939
Less: Return to unrestricted investment account holders	27,395	-	27,395
Total income	14,361	425,183	439,544
Expenses			
Non-banking activity expenses	-	109,991	109,991
Staff costs	91,853	-	91,853
Financing costs	-	6,654	6,654
Depreciation and amortisation expenses	8,562	-	8,562
Other operating expenses	63,705	-	63,705
Total expenses	164,120	116,645	280,765
Add: Profit / (loss) from held-for-sale operations, net of tax	(5,405)	5,778	373
Income / (loss) before tax	(155,164)	314,316	159,152
Income tax	-	-	-
Net profit / (loss) for the year	(155,164)	314,316	159,152

32. DIVIDENDS

In its Board of Directors meeting held on 5 March 2015, the Bank's Board of Directors proposed cash dividends of QAR 160 million for the year ended 31 December 2014 (2014: QAR 142 million for the year ended 31 December 2013) which represents 8% (2014: 8%) of the paid up capital of QAR 2 billion (2014: QAR 1.8 billion). In its General Assembly Meeting held on 31 March 2015, the shareholders of the Bank approved the aforementioned dividend amount.

33. COMPARATIVE FIGURES

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