



بنك قطر الأول

QFB

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
QATAR FIRST BANK L.L.C (Public)
30 SEPTEMBER 2016

Qatar First Bank LLC (Public)

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Authorized by QFCRA under license No. 00091
and listed on the Qatar Stock Exchange

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR FIRST BANK L.L.C (PUBLIC)

Introduction

We have reviewed the accompanying 30 September 2016 condensed consolidated interim financial statements of Qatar First Bank L.L.C (Public) ("the Bank") and its subsidiaries (together referred to as the "Group"), which comprise:

- the condensed consolidated statement of financial position as at 30 September 2016;
- the condensed consolidated income statement for the three and nine-month periods ended 30 September 2016;
- the condensed consolidated statement of changes in owners' equity for the nine-month period ended 30 September 2016;
- the condensed consolidated statement of cash flows for the nine-month period ended 30 September 2016; and
- notes to the condensed consolidated interim financial statements.

The Board of Directors of the Bank is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards for Islamic Financial Institutions and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2016 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with Financial Accounting Standards issued by AAOIFI.

Other matter

We draw attention to the fact that we have not reviewed the accompanying condensed consolidated statement of financial position as at 30 September 2015, the condensed consolidated income statement for the three and nine-month periods ended 30 September 2015, the condensed consolidated statements of changes in owners' equity and cash flows for the nine month period ended 30 September 2015, or any of the related notes to the condensed consolidated interim financial statements, and accordingly, we do not express a review conclusion thereon.

26 October 2016
Doha
State of Qatar

Signed by:
Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016 (EXPRESSED IN QAR'000)

		30 September 2016 (Reviewed)	31 December 2015 (Audited)
	Notes		
ASSETS			
Cash and cash equivalents		1,989,731	1,603,963
Investments carried at amortised cost	4	976,568	943,416
Financing assets	5	1,456,333	1,109,417
Accounts receivable		266,412	217,126
Inventories		63,106	50,545
Equity investments	6	1,488,742	1,408,949
Investments in real estate		209,990	208,629
Fixed assets		169,533	168,111
Intangible assets		26,362	31,486
Other assets		162,985	118,194
TOTAL ASSETS		6,809,762	5,859,836
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Financing liabilities	8	1,079,726	467,838
Customers' current accounts		125,750	23,426
Other liabilities		226,356	214,153
TOTAL LIABILITIES		1,431,832	705,417
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	9	3,248,469	3,054,375
EQUITY			
Share capital	10	2,000,000	2,000,000
Fair value reserve		(16,306)	(22,243)
Retained earnings		71,706	68,319
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		2,055,400	2,046,076
Non-controlling interest	11	74,061	53,968
TOTAL EQUITY		2,129,461	2,100,044
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		6,809,762	5,859,836

These condensed consolidated interim financial statements were authorised for issuance by the Board of Directors on 26 October 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 20 form an integral part of these condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE THREE AND NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
(EXPRESSED IN QAR'000)

		For the three-month period ended		For the nine-month period ended	
		30 September 2016 (Reviewed)	30 September 2015 (Unreviewed)	30 September 2016 (Reviewed)	30 September 2015 (Unreviewed)
	Notes				
CONTINUING OPERATIONS					
INCOME					
Revenue from non-banking activities	12	109,505	101,908	334,184	301,838
Gain / (loss) on re-measurement of investments at fair value through income statement	6.2	9,955	(6,970)	65,451	2,161
Dividend income		-	-	13,115	8,232
Profit on investments carried at amortised cost		7,595	5,537	21,190	15,363
Gain on disposal of investments carried at amortised cost		-	-	673	2,541
Loss on disposal of equity investments		-	-	-	(29,360)
Gain on disposal of investment in real estate		-	-	-	16,961
Income from financing assets		18,446	14,597	50,560	42,958
Income from placements with financial institutions		9,443	2,914	22,645	6,183
Other income		4,827	9,020	43,358	22,459
Total Income Before Return To Unrestricted Investment Account Holders					
		159,771	127,006	551,176	389,336
Return to investment account holders		(22,561)	(15,450)	(61,562)	(36,026)
TOTAL INCOME		137,210	111,556	489,614	353,310
EXPENSES					
Expenses from non-banking activities	12	(105,171)	(100,882)	(324,366)	(295,468)
Staff costs		(18,698)	(18,428)	(72,001)	(54,069)
Other operating expenses		(15,815)	(14,873)	(54,612)	(47,626)
Financing costs		(6,062)	(2,651)	(12,729)	(7,871)
Depreciation and amortisation		(3,257)	(2,360)	(9,771)	(6,742)
TOTAL EXPENSES		(149,003)	(139,194)	(473,479)	(411,776)
Provision for impairment on financing assets	5	(1,834)	(1,934)	(12,257)	(5,567)
NET PROFIT/(LOSS) BEFORE INCOME TAX		(13,627)	(29,572)	3,878	(64,033)
Income tax expense		-	-	-	-
NET PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		(13,627)	(29,572)	3,878	(64,033)
DISCONTINUED OPERATIONS					
Profit from discontinued operations, net of tax	7.2	670	-	1,199	-
NET PROFIT / (LOSS) FOR THE PERIOD		(12,957)	(29,572)	5,077	(64,033)
Attributable to:					
Equity holders of the Bank		(13,438)	(29,336)	3,387	(64,452)
Non-controlling interest		481	(236)	1,690	419
		(12,957)	(29,572)	5,077	(64,033)
Basic/diluted earnings per share –QAR	13	(0.07)	(0.15)	0.02	(0.32)

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

		<u>Fair value reserves</u>						

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

		For the nine-month period ended	
		30 September 2016 (Reviewed)	30 September 2015 (Unreviewed)
	Notes		
OPERATING ACTIVITIES			
Net profit / (loss) for the period		5,077	(64,033)
Adjustments for non-cash items in net profit / (loss)			
Depreciation and amortisation		24,427	20,200
Subsidiary's management remuneration		2,772	-
Unrealised gains on equity investments	6	(65,451)	(2,161)
Other provisions, net		12,995	6,312
		(20,180)	(39,682)
Changes in:			
Investments carried at amortised cost		(33,152)	(87,260)
Financing assets		(359,173)	(179,526)
Accounts receivable		(49,281)	(55,063)
Inventories		(13,304)	(6,046)
Equity investments		(7,528)	202,838
Investments in real estate		(2,238)	47,945
Other assets		(44,791)	(55,963)
Customers' current accounts		102,324	(14,058)
Other liabilities		14,387	58,611
Net cash used in operating activities		(412,936)	(128,204)
INVESTING ACTIVITIES			
Purchase of fixed and intangible assets		(20,725)	(35,506)
Net cash used in investing activities		(20,725)	(35,506)
FINANCING ACTIVITIES			
Net change in financing liabilities		611,888	44,538
Net change in equity of investment account holders		194,094	682,761
Increase in non-controlling interest		13,447	-
Dividends paid to equity holders		-	(151,796)
Net cash from financing activities		819,429	575,503
Net increase in cash and cash equivalents		385,768	411,793
Cash and cash equivalents at the beginning of the period		1,603,963	896,001
Cash and cash equivalents at the end of the period		1,989,731	1,307,794

The attached notes 1 to 20 form an integral part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

1. REPORTING ENTITY

Qatar First Bank L.L.C (Public) (“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 Bank’s issued shares are listed for trading on the Qatar Exchange effective from 27 April 2016 (ticker: “QFBQ”). The condensed consolidated interim financial statements of the Bank for the nine-month period ended 30 September 2016 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 (Public). The Bank had the following subsidiaries as at 30 September 2016 and 31 December 2015:

Subsidiaries	Activity	Effective ownership as at		Year of incorporation	Country
		30 September 2016	31 December 2015		
Future Card Industries LLC	Manufacturing	71.3%	71.3%	2012	UAE
Al Wasita Emirates for Catering Services LLC	Catering	81.9%	85.0%	2008	UAE
Isnad Catering Services WLL	Catering	75.0%	75.0%	2012	Qatar
QFB Money Market Fund 1 Ltd.	Money market fund	100.0%	100.0%	2015	Cayman Islands

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

2. BASIS OF PREPARATION

The condensed consolidated interim 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"). 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"). Accordingly, the condensed consolidated interim financial statements have been prepared in accordance with the guidance provided by International Accounting Standard 34 – 'Interim Financial Reporting'.

The condensed consolidated interim financial statements do not contain all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015. In addition, results for the nine-month period ended 30 September 2016 are not necessarily indicative of results that may be expected for the financial year ending 31 December 2016.

The condensed consolidated interim 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.

The condensed consolidated interim 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.

Judgement and estimates

The preparation of the condensed consolidated interim 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.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual consolidated financial statements as at 31 December 2015.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2015 except for changes arising from new standards and amendments issued and effective from 1 January 2016 as given below:

3.1. New standards, amendments and interpretations effective from 1 January 2016

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

FAS 27 updates and replaces previous accounting standards relating to investment accounts – FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2. New standards, amendments and interpretations issued but not yet effective

There are no new accounting standards, amendments and interpretations that are issued but not yet effective.

4. INVESTMENTS CARRIED AT AMORTISED COST

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Investments in sukuk	970,533	932,313
Unamortised premiums and discounts, net	6,035	11,103
	976,568	943,416

As at 30 September 2016, the fair value of the Group's investments in sukuk portfolio amounted to QAR 985 million (31 December 2015: QAR 938 million). As at 30 September 2016, investments in sukuk with a carrying amount of QAR 719 million were pledged against certain murabaha financing liabilities (31 December 2015: nil).

5. FINANCING ASSETS

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Murabaha financing	1,618,420	1,183,750
Ijarah receivable	71,167	90,500
Others	12,749	17,052
Total financing assets	1,702,336	1,291,302
Deferred profit	(230,433)	(178,572)
Provision for impairment on financing assets	(15,570)	(3,313)
Net financing assets	1,456,333	1,109,417

Movements in the provision for impairment on financing assets are as follows:

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Provision for impairment on financing assets at the beginning of the period/ year	3,313	-
Provision for impairment, net of recoveries during the period/ year	12,257	3,313
Provision for impairment on financing assets at the end of the period/ year	15,570	3,313

Provision for impairment for financing assets, net of recoveries for the nine-month period ended 30 September 2016 was QAR 12,257 thousand (for the nine-month period ended 30 September 2015: QAR 5,567 thousand).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

6. EQUITY INVESTMENTS

		30 September 2016 (Reviewed)	31 December 2015 (Audited)
	Notes		
Investments at fair value through equity	6.1	132,217	125,403
Investments at fair value through income statement	6.2	1,356,525	1,283,546
		1,488,742	1,408,949

As at 30 September 2016, equity investments with a carrying amount of QAR 455 million were pledged against certain murabaha financing liabilities (31 December 2015: QAR 455 million).

6.1. Investments at fair value through equity

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

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Quoted	105,929	99,115
Unquoted	26,288	26,288
	132,217	125,403

Unquoted equity securities of QAR 26.3 million as at 30 September 2016 (31 December 2015: QAR 26.3 million) are carried at cost less impairment in the absence of reliable measure of fair value.

6.2. Investments at fair value through income statement

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

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Investment type		
Venture capital investments	1,072,502	1,013,180
Other investments at fair value through income statement	284,023	270,366
	1,356,525	1,283,546

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

6. EQUITY INVESTMENTS (continued)

Movements in the investments at fair value through income statement are as follows:

	30 September 2016			31 December 2015		
	Investments at fair value through equity (Reviewed)	Investments at fair value through income statement (Reviewed)	Total (Reviewed)	Investments at fair value through equity (Audited)	Investments at fair value through income statement (Audited)	Total (Audited)
At the beginning of period/year	125,403	1,283,546	1,408,949	127,509	1,349,457	1,476,966
Additions	-	11,411	11,411	-	33,913	33,913
Disposal	-	(3,883)	(3,883)	-	(237,959)	(237,959)
Fair value adjustments	6,814	65,451	72,265	(2,106)	138,135	136,029
At the end of the period/year	132,217	1,356,525	1,488,742	125,403	1,283,546	1,408,949

Gain on remeasurement of investments at fair value through income statement for the nine-month period ended 30 September 2016 was QAR 65,451 thousands (for the nine-month period ended 30 September 2015: QAR 2,161 thousands).

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

7.1. Assets and liabilities of Disposal Group

As at 31 December 2015, a non-group entity was finalising negotiation with the Bank to invest into two of its subsidiaries (referred as "Disposal Group"). As a consequence of this investment from the non-group entity, which was expected to take place during 2016, the Bank should have lost its control and would have retained significant influence in the Disposal Group (a deemed disposal). Therefore, the assets and liabilities of the Disposal Group were presented in the consolidated statement of financial position as "held-for-sale" and in the consolidated income statement as "discontinued operation" as at and for year ended 31 December 2015.

Subsequent to the year-end 2015, the negotiation with a third party to invest into aforementioned subsidiaries did not materialise. Accordingly, assets and liabilities of Disposal Group were reclassified as disclosed in Note 20.1.

7.2. Assets and liabilities of Aviation Structure

In June 2016, the Bank entered into a structure to invest in two B737-900ERs aircrafts using special purpose vehicles (the "Aviation Structure"), which are leased thereafter under a 7.5-year non-cancellable Ijara terms.

Special purpose vehicles ("SPVs") of the Aviation Structure, registered in Cayman Islands and legally owned by a trust company registered in Cayman Islands, had been consolidated until disposal by the Bank as a result of application of the accounting consolidation rules under Financial Accounting Standard 23, whereby an entity can consolidate an SPV based on economic substance despite the fact that the SPVs are not legally owned by and not legally related to the Bank. These SPVs have financing related to the aircrafts without any recourse to the Bank.

The Bank invested in the Aviation Structure with an intention to sell to investors, and during the period, the Bank sold all its stake to investors. Accordingly the Bank de-consolidated the Aviation Structure which resulted in nil income on disposal.

The Bank recognized income of QAR 1.2 million from the Aviation Structure from the date of investment until disposal, which is included in the consolidated income statement under "profit from discontinued operations, net of tax".

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

8. FINANCING LIABILITIES

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Accepted wakala deposits	36,416	-
Murabaha financing	995,660	444,795
Ijara financing	22,300	22,377
Other Islamic financing liabilities	25,350	666
	1,079,726	467,838

9. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Term accounts	3,234,152	3,038,667
Profit payable to equity of investment account holders	14,317	15,708
	3,248,469	3,054,375

10. SHARE CAPITAL

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Authorized		
250,000,000 ordinary shares (2015: 250,000,000 ordinary shares) of QAR 10 each	2,500,000	2,500,000
Issued and paid		
200,000,000 ordinary shares (2015: 200,000,000 ordinary shares) of QAR 10 each	2,000,000	2,000,000

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

11. 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%, 18.1% and 25% respectively (31 December 2015: 28.7%, 15% and 25% respectively).

The interest of the Bank in Al Wasita Emirates for Catering Services LLC has been reduced to 81.9% (non-controlling interest has increased to 18.1% from 15%) due to remuneration arrangements with the management of Al Wasita Emirates for Catering Services LLC that was approved subsequent to 31 December 2015. As a result, the Bank increased non-controlling interests by QAR 4.9 million.

Subsequent to year end, as part of recapitalisation of Al Wasita Emirates for Catering Services LLC, the shareholders of the Al Wasita Emirates for Catering Services agreed to further inject an additional capital. As part of this process the non-controlling interest have contributed QAR 13.4 million.

12. REVENUE AND EXPENSES FROM NON-BANKING ACTIVITIES

	30 September 2016 (Reviewed)	30 September 2015 (Unreviewed)
Sales	332,424	301,013
Other income	1,760	825
Revenue from non-banking activities	334,184	301,838
Cost of sales	(261,195)	(237,839)
Other expenses	(48,565)	(48,900)
Finance costs	(14,606)	(8,729)
Expenses from non-banking activities	(324,366)	(295,468)
Net income from non-banking activities	9,818	6,370

13. BASIC / DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit / (loss) attributable to the Banks' shareholders and the weighted average number of shares outstanding during the period.

	30 September 2016 (Reviewed)	30 September 2015 (Unreviewed)
Basic earnings per share		
Net profit / (loss) attributable to the equity holders of the Bank	3,387	(64,452)
Total weighted average number of shares	200,000	200,000
Basic earnings per share (QAR)	0.02	(0.32)

Since there is no significant dilutive impact, basic earnings per share equal the dilutive earning per share.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

14. CONTINGENT LIABILITIES

The Group had the following contingent liabilities at the period/year end:

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Letters of credit	2,881	6,465
Letters of guarantee	76,145	73,908
Unutilised credit facilities	102,450	124,495
	181,476	204,868

15. COMMITMENTS

	30 September 2016 (Reviewed)	31 December 2015 (Audited)
Commitment for operating lease		
Later than one year	71,797	96,232
No later than one year	29,803	29,100
	101,600	125,332
Investment related commitment	28,367	28,367
Commitment for operating and capital expenditure	1,491	4,137
	131,458	157,836

16. 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 nine-month period ended 30 September 2016 balances and transactions in respect of related parties included in the financial statements are as follows:

		30 September 2016 (Reviewed)		
	Notes	Affiliated entities	Associates	Total
a) Condensed consolidated statement of financial position				
Financing assets	5	5,813	118,390	124,203
Other assets		13,352	-	13,352
b) Condensed consolidated income statement				
Income from financing assets		115	8,822	8,937
Revenue from non-banking activities		1,200	-	1,200

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

16. RELATED PARTIES TRANSACTIONS AND BALANCES (Continued)

The balances of related parties as at 31 December 2015 are as follows:

		31 December 2015 (Audited)		
	Notes	Affiliated entities	Associates	Total
a) Condensed consolidated statement of financial position				
Financing assets	5	-	125,637	125,637
Other assets		2,969	-	2,969

Transactions with related parties for the corresponding period of nine-month period ended 30 September 2015 are as follows:

	30 September 2015 (unreviewed)		
	Affiliated entities	Associates	Total
b) Condensed consolidated income statement			
Income from financing assets	-	11,240	11,240

Key management compensation is presented below:

	30 September 2016 (Reviewed)	30 September 2015 (Unreviewed)
c) Compensation of key management personnel		
Senior Management personnel	19,411	21,362
Directors' remuneration	6,861	7,476
Shari'a Supervisory Board remuneration	360	430
	26,632	29,268

17. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value profit rate risk, cash flow profit rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the group's annual financial statements as at 31 December 2015. There have been no significant changes.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group's financial instruments are accounted for under the historical cost method with the exception of equity investments. By contrast, the fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

		30 September 2016 (Reviewed)	
	Notes	Carrying Amount	Fair Value
Financial Assets:			
Cash and cash equivalents		1,989,731	1,989,731
Investments carried at amortised cost	4	976,568	985,541
Financing assets	5	1,456,333	1,456,333
Accounts receivable		266,412	266,412
Equity investments	6	1,488,742	1,488,742
Other assets		162,985	162,985
		6,340,771	6,349,744
Financial Liabilities:			
Financing liabilities	8	1,079,726	1,079,726
Customers' current accounts		125,750	125,750
Other liabilities		226,356	226,356
Equity of investment account holders	9	3,248,469	3,248,469
		4,680,301	4,680,301
		31 December 2015 (Audited)	
		Carrying Amount	Fair Value
Financial Assets:			
Cash and cash equivalents		1,603,963	1,603,963
Investments carried at amortised cost	4	943,416	938,034
Financing assets	5	1,109,417	1,109,417
Accounts receivable		217,126	217,126
Equity investments	6	1,408,949	1,408,949
Other assets		118,194	118,194
		5,401,065	5,395,683
Financial Liabilities:			
Financing liabilities	8	467,838	467,838
Customers' current accounts		23,426	23,426
Other financial liabilities		214,153	217,793
Equity of unrestricted investment account holders	9	3,054,375	3,054,375
		3,759,792	3,763,432

18.1. 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

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As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

18. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

18.1 Fair value hierarchy (Continued)

- (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.

30 September 2016 (Reviewed)	Note	Level 1	Level 2	Level 3	Total
Equity investments					
- at fair value through equity	6.1	105,929	-	26,288	132,217
- at fair value through income statement	6.2	-	-	1,356,525	1,356,525

Net gains and losses included in the condensed consolidated statement of changes in owners' equity		6,814	-	-	6,814
Net gains and losses, recognized through condensed consolidated income statement		-	-	65,451	65,451

31 December 2015 (Audited)	Note	Level 1	Level 2	Level 3	Total
Equity investments					
- at fair value through equity	6.1	99,115	-	26,288	125,403
- at fair value through income statement	6.2	-	-	1,283,546	1,283,546

30 September 2015 (Unreviewed)					
Net gains and losses included in the condensed consolidated statement of changes in owners' equity		(13,009)	-	-	(13,009)
Net gains and losses, recognized through condensed consolidated income statement		-	-	2,161	2,161

The valuation techniques and key assumptions have remained consistent with 31 December 2015.

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 985 million (31 December 2015: QAR 938 million) is derived using Level 1 fair value hierarchy.

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As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

19. SEGMENT INFORMATION

For management purposes, the Group has three reportable segments, as described below:

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 & investment management 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 interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

19. SEGMENT INFORMATION (Continued)

Below is the information about operating segments:

For the period ended 30 September 2016 (Reviewed)	Alternative Investments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	334,184	-	-	334,184
Gain on re-measurement of investments at fair value through income statement	65,451	-	-	65,451
Dividends income	13,115	-	-	13,115
Profit on investments carried at amortised cost	-	21,190	-	21,190
Gain on disposal of investments carried at amortised cost	-	673	-	673
Income from financing activities	8,822	41,738	-	50,560
Income from placements with financial institutions	-	22,645	-	22,645
Other income	20,951	15,528	6,879	43,358
Total Income Before Return To Investment Account Holders	442,523	101,774	6,879	551,176
Return to unrestricted investment account holders	-	(61,562)	-	(61,562)
TOTAL INCOME	442,523	40,212	6,879	489,614
EXPENSES				
Expenses from non-banking activities	(324,366)	-	-	(324,366)
Staff costs	(11,652)	(16,526)	(43,823)	(72,001)
Other operating expenses	(3,014)	(7,414)	(44,184)	(54,612)
Financing costs	(8,367)	(4,362)	-	(12,729)
Depreciation and amortization	-	-	(9,771)	(9,771)
TOTAL EXPENSES	(347,399)	(28,302)	(97,778)	(473,479)
Provision for impairment on financing assets	(488)	(11,769)	-	(12,257)
NET PROFIT / (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS	94,636	141	(90,899)	3,878
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	-	1,199	-	1,199
NET PROFIT FOR THE YEAR	94,636	1,340	(90,899)	5,077

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As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

19. SEGMENT INFORMATION (Continued)

For the period ended 30 September 2015 (Unreviewed)	Alternative Investments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	301,838	-	-	301,838
Gain on re-measurement of investments at fair value through income statement	2,161	-	-	2,161
Dividends income	8,232	-	-	8,232
Profit on investments carried at amortised cost	-	15,363	-	15,363
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
Income from financing activities	21,541	21,417	-	42,958
Income from placements with financial institutions	-	6,183	-	6,183
Other income	9,044	4,995	8,420	22,459
Total Income Before Return To Investment Account Holders	330,417	50,499	8,420	389,336
Return to unrestricted investment account holders	-	(36,026)	-	(36,026)
TOTAL INCOME	330,417	14,473	8,420	353,310
EXPENSES				
Expenses from non-banking activities	(295,468)	-	-	(295,468)
Staff costs	(7,635)	(14,051)	(32,383)	(54,069)
Other operating expenses	(2,870)	(5,418)	(39,338)	(47,626)
Financing costs	(7,871)	-	-	(7,871)
Depreciation and amortization	-	-	(6,742)	(6,742)
TOTAL EXPENSES	(313,844)	(19,469)	(78,463)	(411,776)
Provision for impairment on financing assets	-	(5,567)	-	(5,567)
NET INCOME / (LOSS) FOR THE PERIOD	16,573	(10,563)	(70,043)	(64,033)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine-month period ended 30 September 2016 (EXPRESSED IN QAR'000)

20. COMPARATIVES

20.1. Assets and liabilities of disposal group classified as held-for-sale

As disclosed in Note 7.1, subsequent to the year-end 2015, the negotiation with a third party to invest into Disposal Group did not materialise. Therefore, in accordance with AAOIFI's FAS 23 "Consolidation" and IFRS 5 "Non-current assets held-for-sale and discontinued operations", assets and liabilities held-for-use and discontinued operations are consolidated on a line-by-line basis including earlier periods resulting in certain reclassifications. The effect of reclassifications in the condensed consolidated statement of financial position for presentation purposes was as follows on the amounts as at 31 December 2015:

	As at 31 December 2015		
	As originally presented	Reclassification	As reclassified
ASSETS			
Cash and cash equivalents	1,599,812	4,151	1,603,963
Accounts receivable	25,717	191,409	217,126
Inventories	42,920	7,625	50,545
Investments in real estate	-	208,629	208,629
Fixed assets	146,333	21,778	168,111
Intangible assets	14,611	16,875	31,486
Other assets	29,877	88,317	118,194
Assets held-for-sale	538,784	(538,784)	-
LIABILITIES			
Financial liabilities	218,246	249,592	467,838
Other liabilities	106,086	108,067	214,153
Liabilities held-for-sale	357,659	(357,659)	-