



بنك قطر الأول

QFB

ANNUAL REPORT 2016

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His Highness
Sheikh Hamad Bin Khalifa Al Thani
Father Emir



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

QATAR FIRST BANK LLC (PUBLIC)

Qatar First Bank LLC (Public) “QFB”, a leading Shari’ah compliant bank based in Qatar and listed on the Qatar Stock Exchange, is one of the first independent Shari’ah compliant financial institutions regulated by the Qatar Financial Centre Regulatory Authority (QFCRA) that offers investment opportunities and innovative financial solutions with local, regional and international reach.

Launched in 2009 as an investment bank, QFB has since evolved to broaden its offering to combine the best of a private bank with bespoke investment solutions tailored for the protection, preservation and growth of wealth.

QFB provides a wide range of products and services including alternative investments focused on private equity and real estate, private banking and wealth management, corporate and institutional banking, as well as treasury and investments.

QFB, with a clear strategy, highly experienced team, and solid shareholder base, is a trusted advisor for high-net-worth individuals, corporate and institutional clients and a gateway to opportunities in Qatar, the region and global markets.

Vision

To become a global leader in Shari’ah Compliant Banking by offering attractive investment opportunities and innovative financial solutions.

Mission

To offer high-net-worth individuals and corporates an attractive range of innovative Shari’ah Compliant financial products and services covering alternative investments focused on private equity and real estate, private banking and wealth management, corporate and institutional banking, as well as treasury and investments.

As a listed entity on the Qatar Stock Exchange, we will continue to enhance our role as a trusted advisor and gateway to opportunities in Qatar, the region and global markets.

Our solid shareholder base and highly experienced team will enable us to capitalize on the growing demand

for Shari’ah Compliant finance, and provide a “Signature of Excellence” in our business, reflecting international best practices and operating with the highest standards of governance and integrity. We will continually recruit and retain the best talent in the market place - ensuring a modern, meritocratic environment within which our employees can deliver the very best to clients, whilst advancing the Qatar National Vision 2030.

Our actions will always be in the best interests of our stakeholders and the communities in which we operate.

Values

Our values, “The Five Ps”, were crafted to build a culture that will continually evolve by believing that our success is dependent upon understanding the changing needs of stakeholders. QFB is a reflection of “The Five Ps”:

- **Principled**
Committing to the highest standards of Shari’ah and governance principles, classified with a genuine professional approach.
- **Pioneering**
Providing banking and investment solutions with a unique perspective, while challenging the standards and exploring innovative opportunities.
- **Personalized**
Offering tailored financial solutions with an individual approach, to meet the changing needs of shareholders and clients with high levels of confidentiality.
- **Premium**
Developing creative investment and banking propositions, services and extras by adopting forward - thinking and groundbreaking methodologies.
- **Partnering**
Maintaining long - term relationships with individual and institutional clients, while becoming the trusted advisor with international reach.



BOARD OF DIRECTORS



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

**Chairman
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



**Mr. Khaled Abdullah
Khouri**

United Arab Emirates



**Mr. Ibrahim Mohamed
Ibrahim Jaidah**

State of Qatar



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



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



**Mr. Jassim Mohammad
Al-Kaabi**
State of Qatar



**Sheikh Jassim
Bin Hamad Bin Nasser
Al Thani**
State of Qatar

SHARI'AH SUPERVISORY BOARD



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 Asali
Managing Partner
Private Equity



Samir Assaad
Managing Partner
Private Equity



Nizar Ahmadi
Head of Private Banking
and 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



Ismail Alawadhi
Head of Shari'ah
Compliance



Andrew Williams
Head of Human
Resources



Bassel Issam Hanbali
Head of Corporate
Services



Toufic Abi Fadel
General Counsel
and Company Secretary



Andre Nussbaumer
Head of Compliance and
MLRO

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present to you the 7th Annual Report for Qatar First Bank for the year ending 31st December, 2016.

The year 2016 saw several key economic events that contributed to the stagnation of the global economy. The depreciation of major currencies, the plunge in oil prices, and the many country-specific macroeconomic and extraordinary factors have all furthered the slowdown 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' spending on subsidies and introducing schemes to incentivize the non-hydrocarbon sector to encourage economic diversification.

Our home country Qatar, despite being one of the best performing economies in the GCC, has faced several challenges. The economy slowed to a 10 year low in 2016 as low oil prices and subdued activity in the non-oil sector plagued growth. As a result of the sharp drop in oil prices, the government implemented some austerity measures last year to contain a rapid deterioration in public finances, hitting overall growth and leading the country to record its first fiscal deficit in 15 years in 2016. With higher oil prices and a more benign global growth outlook, Qatar is expected to accelerate some infrastructure projects this year, in particular those related to the 2022 World Cup including the rail system, new port, highways and stadiums which will no doubt offer a plenitude of growth opportunities to tap into.

At QFB we were not immune to the prevailing global economic scene. We have recorded a net loss of QAR 265.6 million, the majority of which are unrealized, resulting mainly from the downward revision of the valuations of some of the Bank's private equity investments across several markets.

Although we witnessed a write-down of the investment book, our financial position remains solid with total assets at almost QAR 6 billion, mainly driven by

the increase from financing assets. Moreover, our investment portfolio continued to generate healthy dividends, and our financing assets increased by 33%.

The major challenges in the global investment market, and the downward revision of our Private Equity investments have resulted in clearly a disappointing result.

Aside from this correction in performance, we continued executing on our strategy and focused on the most lucrative areas. Our aim is to fully match the evolution of Qatar and the wider region's investment direction, as well as act as the gateway for investors looking to access lucrative investment opportunities alongside QFB.

During 2016, we have witnessed strategic achievements marked by listing the Bank's shares on the Qatar Stock Exchange, following the approval of the Qatar Financial Markets Authority (QFMA). Following this significant milestone, we have leveraged on our in-house and international breadth of investment solutions and structuring capabilities offering an attractive range of products and services. Besides which, we have announced the completion of the Bank's second residential real estate development in London. Finally, the team was actively involved in investing and managing our Sukuk book which continued to perform well.

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, our clients and shareholders.

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 any achievement recorded during 2016.

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



Abdulla Bin Fahad Bin Ghorab Al Marri
Chairman



CHIEF EXECUTIVE OFFICER'S STATEMENT

2016 witnessed several key economic events, including currency fluctuations, specific-country macroeconomic imbalances, drop in oil prices, and weakness in Europe, have caused a downturn in 2016 while affecting major economies in the MENA region. This continued uncertainty has contributed to reducing investment visibility and increasing market volatility across all asset classes.

Governments of the GCC reacted swiftly to these challenges 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 to seek "safer" and more mature markets.

In Qatar, despite being one of the best performing GCC countries, the economy slowed as low oil prices and restrained activity in the non-oil sector plagued growth. With higher oil prices and a more optimistic global growth outlook, Qatar is expected to accelerate the completion of existing projects and announce the launch of others during this year, in particular those related to the 2022 World Cup which will offer opportunities to tap into.

At QFB, the economic volatility and challenges across our target markets have caused us to record a net loss of QAR 265.6 million, resulting mainly from the downward revision of fair value gains recorded in previous years in certain markets.

The private equity portfolio has been negatively impacted by country-specific events mainly in Turkey and the UK. The decrease in the valuation of the bank's investments reflects the effect of the macroeconomic and extraordinary factors that both countries have been facing. The main impact came from the depreciation of currency, British Pound Sterling and Turkish Lira, against the US Dollar and from the weakness of the real estate sector in the United Kingdom after the Brexit decision.

It is important to say that our Turkish investments are still 47% higher than their acquisition price and will continue to grow in sales and profitability and occupy leading positions in their respective industries of Healthcare and Retail. Additionally, our UK investments are still significantly above our acquisition costs, both in Pounds and Riyals.

Whilst the current volatility in the global markets has impacted our portfolio, we will continue to closely manage our existing investments, exit our current portfolio to maximize shareholders and clients returns, as well as seek out new lucrative opportunities to reinvest the proceeds and contribute positively to our returns.

QFB's current portfolio of alternative investments are within various sectors including healthcare, energy, consumer finance, real estate, industrial, retail, luxury, food & beverage spread across diversified geographies. Since its incorporation, the bank has closed a number of successful transactions across Qatar, Turkey, the United Kingdom, Africa and the MENA region with carrying value of total equity investments (including subsidiaries) of QAR 1.53 billion (31 December 2016). Over the years, the team has successfully exited six investments, in addition to three partial exits, and generated healthy returns to Shareholders with an average IRR of 36%.

Our strategy, going forward, focuses on our role as a trusted advisor, a gateway for investors who wish to tap into innovative, Shari'ah compliant, investment opportunities in local, regional and global markets. We will continue to diversify our portfolio, tapping into new and attractive geographical markets. We are well positioned to provide capital solutions to growing businesses in the region, utilizing our expertise and network. We look to partner with market leaders, private and institutional investors, attracting third party money with the objective to create value while following international best practice and the highest levels of corporate governance.

Despite reversals of previous years' fair value gains on our Private Equity investments, the bank's financials show the following:

- Total assets remained stable and closed at almost QAR 6 billion, mainly driven by the increase from financing assets.
- Investment portfolio continued to generate healthy dividends (QAR 13 million).
- Financing assets increased by 33%.
- Sukuk book continued to generate positive returns close to QAR 30 million.
- Income from placement with financial institutions has tripled mainly from cash deployment in Shari'ah compliant money market funds.

Since the beginning of 2016, we have been witnessing strategic achievements marked by listing the bank's shares on the Qatar Stock exchange, following the approval of the Qatar Financial Markets Authority (QFMA).

Following this significant milestone, the team has leveraged on the in-house and international breadth of investment solutions and structuring capabilities to offer an attractive range of products and services. We have announced the placement of the 'Ijarah Aviation Structured Product'

that was met with great enthusiasm by individual and institutional clients. Additionally, the team catered clients with a wide range of investment opportunities and innovative financial solutions to grow, manage and protect their wealth and assets. Besides, and after the completion of our second residential project in London, we announced offering specialized real estate services to individuals and corporates seeking to add value to their portfolios by owning, occupying and investing in real estate across the world. Last but not least, we continued to focus on liquidity optimization through the interbank market and money markets. Also, the team was actively involved in investing and managing the Sukuk book which continued to perform well and growing its private equity deal pipeline.

In line with our results, and to provide all means in order to achieve our objectives, we have launched the second phase of our cost rationalization plan, originally introduced in June 2016. The objective is to continue raising efficiency levels through strict and tight cost cutting measures including strategic reduction to the workforce caused by the consolidation of the placement and distribution capabilities of the bank's corporate and private banking business lines which, going forward, will focus more on fee generating services. The aim is to focus on capitalizing on the bank's human resources and maximizing their experience to boost performance during the coming years. Moreover, the efficiency action plan will enable accelerating the focus on business lines that are expected to generate income, and hence raise shareholders' value and enhance profitability levels.

2016 was a difficult and challenging year for QFB and our shareholders. However, the changes instituted are the necessary first steps in laying the foundations for a successful future. We recognize that there is still a considerable amount of work to be done, but we take comfort in the prospect of new business opportunities after refocusing our efforts on alternative investments. In particular, the combination of capabilities in private equity, real estate, and product structuring solutions, with dedicated origination and placement capacity, will create a leading force that we hope will produce genuine growth and profitability for the bank.

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.

I would also like to extend my appreciation and gratitude to our Chairman for his guidance and support, the Board of Directors and the Shari'ah Supervisory Board 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.



Ziad Makkawi

CEO



INVESTMENT PORTFOLIO



Memorial Health Group

Memorial continues to successfully expand its geographic footprint as revenue ramps up from recently established hospitals. Furthermore, progress continues to be 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. For the year 2016, Memorial's revenue and EBITDA increased YoY by 12% and 13%, respectively.

English Home

English Home continued its aggressive expansion plans, adding 65 stores (29 in Turkey and 36 in international markets) to reach a total of 409 stores (301 in Turkey and 108 in international markets).

English Home has been able to realize this high growth on the back of the new management's strategy which includes streamlined operations, lower basket size and higher revenue per store. This has led English Home to become the clear market leader in Turkey while slowly expanding its regional footprint. For the year 2016, English Home's revenue and EBITDA increased YoY by 38% and 120%, respectively. The downward revision of the carrying value was not driven by operational performance as both assets showed positive performance. Instead this was mainly due to depreciation of the Turkish Lira against the US Dollar further exacerbated by an increase in Turkish bond yields.



David Morris

David Morris had a strong 2016, with margins and profitability exceeding budget as the company continued its expansion strategy. After the successful launch of a boutique in Harrods during 2015, David Morris recently opened a boutique on Rue Saint-Honoré, Paris's premier luxury shopping destination, and is set to open on The Pearl - Doha in 2017. The company also launched several new jewelry collections, diversifying the product offering and improving margins. Similar to what occurred with QFB's Turkish assets, the carrying value was negatively affected by currency depreciation as a result of the Brexit referendum result.

Food Services Company

During 2016, QFB continued to extend support to the Food Services Company ("FSC"), the operator of Opera Patisserie, Opera Café, Opera Catering, Take Away and Kanafanji, to expand across Doha adding 3 more stores to reach a total of 21. Moreover, QFB worked alongside FSC management on a future plan to roll out further stores to meet the company's growth objectives coupled with implementation of cost optimization structure in order to achieve healthy margins. QFB ensured that FSC incorporates best-practice corporate governance standards and reporting frameworks.

Cambridge Medical & Rehabilitation Centre

During 2016, Cambridge Medical & Rehabilitation Centre (“CMRC”) continued its expansion plans by adding 45 beds and a long term ventilated care unit in Al Ain Facility. They also successfully managed to obtain a SAGIA license in Saudi Arabia and are actively working on establishing a facility in KSA. Revenues grew by 66% compared to the previous year despite the co-pay directive issued by Daman, the Abu Dhabi insurer, whereby patients are required to pay 20% of their medical bills. CMRC management took several initiatives in response to the 20% co-payment directive which included cost reduction measures, working closely with Daman and HAAD to improve the reimbursement rates, and advocacy efforts with the relevant government authorities to remove this directive. Management was able to obtain a 7% increase in the reimbursement rates for their patients. Moreover, Daman removed the 20% co-payment directive for the long term care and home health care patients which was a huge success for CMRC management. The cost reduction initiatives coupled with the lifting of the 20% co-payment directive and the uplift in Doman payments put the company in the right direction for further future growth.

UK Real Estate

During 2016, QFB announced the completion of its real estate development project in Leinster Square, London W2. QFB and its co-investors had acquired the building, in 7-12 Leinster Square, in August 2012, when it was a derelict, neglected hotel. Since then, QFB worked with the development manager, London-based Alchemi Group, to rebuild and restore the building to its former Victorian glory. On completion in May 2016, the project offered six lateral three-bedroom apartments and five triplex townhouses. The development is minutes away from Hyde Park and has excellent transport links, to both the Underground and Paddington station, which provides access to Heathrow and Crossrail.

Despite the upheaval in the UK market resulting from Brexit, five of the apartments have already been sold. The townhouses consist of accommodation on the first floor of the building, the ground floor, lower ground

floor, and basement, and all have private terraces at the rear of the building as well as their own entrance and access to the private garden square, which has been replanted and restored with new lawns, flowerbeds and recreation areas.

Leinster Square was QFB’s second successful project in London, following the completion of the award winning “Westbourne House” in August 2015. Located in nearby Westbourne Grove, the residential real estate development consists of 20 luxury apartments ranging from one to three bedrooms, of which only one unit remains available. QFB’s exit from this investment has achieved an IRR of 17%.

Kuwait Energy Company

QFB has a 2.2% stake in Kuwait Energy plc, a leading independent oil & gas company headquartered in Kuwait with producing assets mainly in Egypt and Iraq. Despite difficult market conditions in 2016, KEC continued to develop its key assets in Iraq, which are forecast to significantly increase production in 2017 and beyond.

Amanat Holdings

During 2016, Amanat Holdings (“Amanat”) invested a total AED 540 million, which included two new acquisitions. In April 2016 Amanat completed the acquisition of a 16.34% stake in Madaares for approximately AED 145.8 million. Operating under the Taaleem brand, Madaares is one of the leading school and nursery education providers in the UAE. Amanat also closed an acquisition of a 13.18% economic interest in International Medical Company, a best-in-class 300-bed best in class multi-disciplinary hospital serving Saudi Arabia’s Western Region for AED 359.8 million towards the end of 2016.

Amanat has now deployed AED 737 million on strategic investments in the UAE and Saudi Arabia healthcare and education sectors, representing almost 29.4 per cent of its total capital.

BUSINESS LINES



Alternative Investments

Our alternative investments platform is well positioned to offer attractive Shari'ah investment opportunities to our stakeholders.

Our industry specific expertise and in-depth market knowledge allow us to work closely with our clients to originate, structure and execute deals in key sectors that have the potential for growth and promise rewarding returns. We capitalize on opportunities available in Qatar, MENA region and beyond continuously keeping an eye out for attractive investment propositions.

We have a successful track record in sourcing and exiting investments in different markets and in a diverse range of sectors including healthcare, energy, industries, food & beverage, luxury and real estate.

Private Banking and Wealth Management

With its open architecture platform and its exceptional international network of partners, our Private Banking & Wealth Management team offers shareholders and clients an unrivalled expertise in a wide range of products and services to grow, manage and protect their wealth and assets.



As part of the first Shari'ah compliant private bank in Qatar, the Private Banking & Wealth Management business is uniquely positioned to exclusively cater to the banking needs of its elite clients and their businesses, while offering access to unique investment opportunities and innovative financial solutions.

Leveraging its in-house and international breadth of investment solutions across asset classes, QFB opts for a client-centric approach whereby the investment advice is personalized to the financial goals and risk profile of the clients. Bespoke Shari'ah compliant solutions are tailored to the functional needs and wants of clients enabling them to both create and preserve wealth from their private business and assets.

QFB and its international network of partners co-operate to offer the bank's clients expertise in a full range of services to grow, manage and protect family wealth and assets.

Corporate and Institutional Banking

In a fast paced world, it is important for any business to have support and insight from a trusted financial partner.

With the best interest of our clients' in mind we continuously strive to add value to their business. We make every effort to fully understand the complexities



and challenges a business may face and provide counsel and guidance to support our clients in achieving their strategic business objectives.

Our team of well trained and qualified professionals has a wealth of experience across several markets and sectors. They dedicate time and effort to holistically understand each clients' business needs. Using their expertise and insights they identify areas of growth and tailor make Shari'ah compliant financial solutions to ensure value creation.

Our professionals have extensive knowledge and expertise to advise our clients on lending and corporate finance solutions as well as maximizing opportunities for raising capital, managing treasury and risk exposure.

Treasury and Investments

QFB is continuously expanding its Treasury & Investment department capabilities in order to offer Shari'ah compliant products and investment solutions to its clients, and invest with them in opportunities that meet the growing needs of the market.

QFB is always taking the forefront in providing its clients with these attractive investments, meeting its promises to act as a trusted advisor and gateway to interesting opportunities together with the global network of treasury centers, international banks and



extensive local presence coupled with deep market knowledge.

In today's challenging market and economic conditions, QFB's strategy calls for deploying capital alongside its clients to enable them to benefit from recurring and sustained income streams. This direction is in line with QFB's strategy to diversify its revenue sources.

Armed with highly qualified and experienced staff, the team values long term relationships with clients, a testament to the unparalleled service that we provide.

The funding and asset mix remained diversified in order to absorb market liquidity and allow efficient management of the assets and liabilities. Transactions are facilitated by the strong relationships built with local, regional and international banks and financial institutions. Corporates and high net worth individuals are able to benefit from the execution capabilities in the market from plain vanilla FX and money markets to more complex Shari'ah compliant derivative solutions.

Recent launches includes the QFB Money Market Fund, Ijara Aviation Structured Notes and other Shari'ah compliant structured products linked to different asset classes. All were highly met with great enthusiasm by our clients.

CORPORATE GOVERNANCE

The Bank is committed to operating to the highest standards of corporate governance and in this regard has looked to structure a corporate governance framework that complies with good corporate governance practices in Qatar. The Bank has looked to adopt best practices from both the QFC Regulatory Authority's "A Guide to Corporate Governance for QFC Authorized Firms" and the Qatar Financial Markets Authority's "Corporate Governance Code for Listed Entities". The business of the Bank is conducted under a corporate governance framework made up of the Board of Directors, the Shari'ah Supervisory Board, the senior executive management and its staff led by the Chief Executive Officer.

General Assembly of Shareholders

The Bank has one Annual General Meeting per year. All other general meetings are referred to as Extraordinary General Meetings.

Board

As at 31 December 2016, The Board of Directors is made up of 10 directors. Its members are elected by the shareholders to oversee management and ensure that the interests of the shareholders are being served.

The Board of Directors may delegate its powers, authorities, discretions and functions to any committee made of members of the Board on such terms and conditions as it may think fit and in accordance with the Articles.

Board Committees

The Board of Directors has appointed the following Board Committees:

- Executive Committee
- Audit, Risk and Compliance Committee
- Operating Committee
- Nomination, Remuneration and Corporate Governance Committee

Senior Executive Management

The day-to-day management of the Bank is conducted by the Senior Executive Management which is led by the Chief Executive Officer and who is considered relevant to ensure that the Bank has the appropriate expertise and experience for the management of its business.

The Senior Executive Management are also members of management committees which have specific duties and responsibilities such as: Management Committee, Asset & Liability Committee, Product Development Committee, Credit Committee and Investment Committee.

Chief Executive Officer

The Chief Executive Officer is appointed by the Board of Directors. He is responsible to the Board of Directors for the general and active management of the business, including overseeing the day-to-day operations of the Bank, and ensures that the resolutions of the Board of Directors and the shareholders are carried out. He has the right to delegate a part of his responsibilities and prerogatives to other employees or officers of the Bank.

Shari'ah Supervisory Board

The Board of Directors shall appoint not less than 3 and not more than 5 Shari'ah advisors selected among experts well-versed in Shari'ah, Islamic transactions and finance, to sit on the Shari'ah Supervisory Board.

The appointed advisors shall perform their tasks on a professional and confidential basis while reviewing all practical steps and measures with regard to the activities of the Bank.

Accounts

- External Auditors: The accounts of the Bank must be prepared in accordance with the requirements, accounting principles and standards prescribed by the QFCA, the regulations of the QFCA including the QFCRA and as determined by the Board of Directors from time to time.
- The External Auditors are nominated by the Audit, Risk and Compliance Committee and shall attend the Annual General Meetings.

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.

The RMD worked on the review and update of critical risk policies and procedures and on the continuous 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.

OPERATIONS

QFB continued to invest in its systems and IT infrastructure in order to enable our relationship managers and staff to offer best in class service to our clients. The CRM System was further enhanced to include the Corporate Account opening process and downstream systems were integrated into the CRM system to allow seamless and timely transfer of information between the systems. A new reporting Engine was implemented to automate the regulatory reporting required to be done by the Bank. A large number of enhancements were made on the core banking system to bring all required data into the core banking system as well as enhance the efficiency of the Operational processes of the Bank. The reporting Engine was further leveraged to provide various other reports and MIS to Finance, Treasury and Risk which helped in further strengthening the Risk Monitoring, Asset Liability Management and general governance of the Bank.

New and enhanced operational processes were further implemented over the year to support several new products delivering value to clients. The operations team was streamlined to cater to the new products as well as better utilize the resources of the Bank. The above improvements and investments made so far have resulted in a robust operating platform and stability in day to day operations and the team is now fully equipped and ready to handle the full spectrum of operations and products across Private Equity, Private Banking and Corporate Banking in addition to providing the required and expected support to other departments like Compliance, Risk, Finance, etc.

CORPORATE SOCIAL RESPONSIBILITY

QFB is proud to be a community minded business, we constantly strive to make a positive impact in Qatar and the wider region. The management has developed a CSR program allowing us to play an active role in supporting projects, initiatives and institutions in the communities in which we operate.

Our program includes a variety of activities covering educational, social, cultural and sporting events. We also sponsor industry related conferences and seminars that have a direct effect on the growth of the finance industry in Qatar, the region, and global markets. QFB's CSR activities reflect our commitment to 'Qatar National Vision 2030', which highlights the importance of developing the human capital to fuel the nation's long term growth.

SHARI'AH SUPERVISORY BOARD REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

To the Shareholders of Qatar First Bank LLC.

In compliance with our terms of appointment, the Shari'ah Supervisory Board (referred to hereafter as "SSB") of Qatar First Bank LLC, (referred 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, and the like.
- 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 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 AAOIFT'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 which were presented to the SSB, and conduct the 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, 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 to Allah, the Almighty, to bless them with continuous growth and successes based on fearing Allah and Shari'ah principles 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

CONSOLIDATED FINANCIAL
STATEMENTS
31 DECEMBER 2016

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C (PUBLIC)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar First Bank L.L.C (Public) ('the Bank') and its subsidiaries (together referred to as the 'Group') which comprise the consolidated statement of financial position as at 31 December 2016, 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'ah 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 2016, 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'ah rules and principles as determined by the Shari'ah 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 or the terms of the Article of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2016.

14 March 2017
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Auditor's Registration No. 251

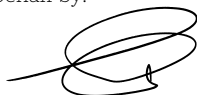
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

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

		As at	
	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	5	1,113,796	1,603,963
Due from banks	6	355,000	-
Investments carried at amortised cost	7	893,217	943,416
Financing assets	8	1,472,871	1,109,417
Accounts receivable	9	249,691	217,126
Inventories	10	64,113	50,545
Equity investments	11	1,176,160	1,408,949
Investments in real estate	12	218,138	208,629
Fixed assets	13	168,543	168,111
Intangible assets	14	26,705	31,486
Assets of disposal group classified as held-for-sale	15	86,253	-
Other assets	16	153,312	118,194
TOTAL ASSETS		5,977,799	5,859,836
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Financing liabilities	17	1,100,228	452,992
Customers' balances	18	108,396	23,426
Other liabilities	19	196,454	228,999
TOTAL LIABILITIES		1,405,078	705,417
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
	20	2,697,670	3,054,375
EQUITY			
Share capital	21	2,000,000	2,000,000
Fair value reserves		(561)	(22,243)
(Accumulated deficit) / retained earnings		(200,754)	68,319
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		1,798,685	2,046,076
Non-controlling interest	22	76,366	53,968
TOTAL EQUITY		1,875,051	2,100,044
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND EQUITY		5,977,799	5,859,836

These consolidated financial statements were authorised for issuance by the Board of Directors on 14 March 2017 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 37 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

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

		For the year ended	
	Notes	31 December 2016	31 December 2015
CONTINUING OPERATIONS			
INCOME			
Revenue from non-banking activities	23	442,711	416,795
(Loss) /gain on re-measurement of investments at fair value through income statement	11.2	(176,496)	138,135
Dividend income		13,115	8,232
Profit on investments carried at amortised cost		28,778	21,450
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
Gain on disposal of convertible murabaha		-	32,241
Income from financing assets		68,984	56,140
Income from placements with financial institutions		31,037	10,312
Other income	24	61,868	24,378
TOTAL INCOME BEFORE RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
		470,670	697,825
Return to investment account holders	20	(84,554)	(54,327)
TOTAL INCOME		386,116	643,498
EXPENSES			
Expenses from non-banking activities	23	(444,506)	(402,940)
Staff costs		(80,150)	(90,806)
Financing costs		(22,525)	(14,179)
Depreciation and amortisation	13&14	(12,510)	(9,127)
Other operating expenses	25	(68,671)	(55,079)
TOTAL EXPENSES		(628,362)	(572,131)
Provision for impairment on financing assets	8.1	(25,316)	(3,313)
(LOSS) / PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(267,562)	68,054
Income tax expense		-	-
NET (LOSS) / PROFIT FROM CONTINUING OPERATIONS		(267,562)	68,054
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	15.2	1,199	-
NET (LOSS) / PROFIT FOR THE YEAR		(266,363)	68,054
Attributable to:			
Equity holders of the Bank		(265,687)	66,005
Non-controlling interest		(676)	2,049
		(266,363)	68,054
Basic/diluted (loss) / earnings per share from continuing operations - QAR	26	(1.34)	0.33
Basic/diluted earnings per share from discontinued operations - QAR	26	0.01	-
Basic/diluted (loss) / earnings per share - QAR		(1.33)	0.33

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	Share capital	Fair value reserves		(Accumulated/deficit) 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 2015		2,000,000	(25,150)	21,998	162,314	2,159,162	51,919	2,211,081
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)
Net profit for the year		-	-	-	66,005	66,005	2,049	68,054
Dividends	35	-	-	-	(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
Balance at 1 January 2016		2,000,000	(27,256)	5,013	68,319	2,046,076	53,968	2,100,044
Fair value adjustment		-	22,177	382	-	22,559	85	22,644
Net loss for the year		-	-	-	(265,687)	(265,687)	(676)	(266,363)
Increase in non-controlling interests due to:								
- Subsidiary's management remuneration	22	-	-	(877)	-	(877)	4,956	4,079
- Increase of share capital of a subsidiary	22	-	-	-	-	-	13,447	13,447
- Other movements	22	-	-	-	(3,386)	(3,386)	4,586	1,200
Balance at 31 December 2016		2,000,000	(5,079)	4,518	(200,754)	1,798,685	76,366	1,875,051

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

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

		For the year ended	
	Notes	31 December 2016	31 December 2015
OPERATING ACTIVITIES			
Net (loss) / profit for the year		(266,363)	68,054
Adjustments for non-cash items in net (loss) / profit			
Depreciation and amortisation	13&14	31,435	27,301
Subsidiary's management remuneration		1,895	-
Unrealised loss / (gains) on equity investments	11.2	176,496	(138,135)
Write off capital work in progress		953	-
Provision for impairment of financing assets	8.1	25,316	3,313
Other provisions, net		8,862	(259)
		(21,406)	(39,726)
Changes in:			
Due from banks		(355,000)	-
Investments carried at amortised cost		50,199	(195,196)
Financing assets		(388,770)	(279,284)
Accounts receivable		(41,787)	(171,768)
Inventories		(13,208)	(4,746)
Equity investments		(7,783)	204,046
Investments in real estate		(9,127)	47,506
Other assets		(35,118)	59,209
Customers' balances		84,970	(2,946)
Other liabilities		(30,361)	12,508
Net cash used in operating activities		(767,391)	(370,397)
INVESTING ACTIVITIES			
Purchase of fixed and intangible assets	13&14	(28,077)	(55,428)
Proceeds from disposal of fixed assets		38	-
Net cash used in investing activities		(28,039)	(55,428)
FINANCING ACTIVITIES			
Net change in financing liabilities		647,236	48,413
Net change in equity of investment account holders		(356,705)	1,237,862
Increase in non-controlling interest		14,732	-
Dividends paid to shareholders of the Bank		-	(152,488)
Net cash from financing activities		305,263	1,133,787
Net (decrease)/ increase in cash and cash equivalents		(490,167)	707,962
Cash and cash equivalents at the beginning of the year	5	1,603,963	896,001
Cash and cash equivalents at the end of the year		1,113,796	1,603,963

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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

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 "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'ah principles, as determined by the Shari'ah 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 consolidated financial statements of the Bank for the year ended 31 December 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 31 December 2016 and 31 December 2015:

Subsidiaries	Activity	Effective ownership as at		Year of incorporation	Country
		31 December 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

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'ah rules and principles as determined by the Shari'ah 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, investments in real estate, Shari'ah-compliant-risk management instruments which are carried 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 2016

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

2. BASIS OF PREPARATION (continued)

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 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 the 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 2016

(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 recognised 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 2016

(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 Due from banks

Due from banks represent amounts of placements with financial institutions with an original maturity more than three months. Due from bank placements are invested under Wakala and Murabaha and Mudaraba terms. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

3.7 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.

3.8 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 receivables 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.

3.9 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 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 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.

3.11 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 the 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 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 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.

3.12 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.

Financing assets 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 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 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.

3.13 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.

3.14 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.

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(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.

3.15 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
Buildings	20
Equipment	3 - 5
Furniture and fixtures	3 - 7
Building renovations	5-10
Motor vehicles	5

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 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

3.17 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.

3.18 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 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 3.11.

3.19 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.

3.20 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.

3.21 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.

3.22 Shari'ah-compliant-risk-management instruments

Shari'ah-compliant-risk-management instruments, including unilateral/bilateral promises to buy/sell currencies, profit rate swaps, currency options are carried at their fair value. All Shari'ah compliant-risk-management instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of these instruments are included in profit or loss for the year (other income / other expense). The Group does not apply hedge accounting.

3.23 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 34.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 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.

3.25 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.

3.26 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'ah Supervisory Board.

3.27 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 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.

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

3.28 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 32.

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in significant accounting policies.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2016

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5. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash on hand	8,319	3,795
Balance with banks (current accounts)	95,804	93,754
Placement with financial institutions	1,009,673	1,506,414
	1,113,796	1,603,963

Placements with financial institutions represent inter-bank placements in the form of Wakala, Murabaha and other Islamic investments with original maturity less than three months.

6. DUE FROM BANKS

Due from banks represents inter-bank placements in the form of Murabaha, Mudaraba and other Islamic investments with original maturity more than three months.

7. INVESTMENTS CARRIED AT AMORTISED COST

	31 December 2016	31 December 2015
Investments in sukuk	887,905	932,313
Unamortised premiums and discounts, net	5,312	11,103
	893,217	943,416

As at 31 December 2016, the fair value of the Group's investments in sukuk portfolio amounted to QAR 897 million (31 December 2015: QAR 938 million). As at 31 December 2016, investments in sukuk with a carrying amount of QAR 718 million were pledged against certain murabaha financing liabilities (31 December 2015: nil).

8. FINANCING ASSETS

	31 December 2016	31 December 2015
Murabaha financing	1,642,904	1,183,750
Ijarah receivable	64,721	90,500
Others	12,742	17,052
Total financing assets	1,720,367	1,291,302
Deferred profit	(218,867)	(178,572)
Provision for impairment on financing assets	(28,629)	(3,313)
Net financing assets	1,472,871	1,109,417

Murabaha finances, mainly represent murabaha facilities provided to investees and individual and corporate clients as a part of private bank operations.

8.1 Movements in the provision for impairment on financing assets

	31 December 2016			31 December 2015		
	Specific provision	Collective provision	Total	Specific provision	Collective provision	Total
At the beginning of the year	3,313	-	3,313	-	-	-
Provision during the year, net of recoveries	18,410	6,906	25,316	3,313	-	3,313
At the end of the year	21,723	6,906	28,629	3,313	-	3,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9. ACCOUNTS RECEIVABLE

Accounts receivable comprises of the following:

	31 December 2016	31 December 2015
Trade debtors	261,457	219,670
Provision for impairment on accounts receivable	(11,766)	(2,544)
	249,691	217,126

10. INVENTORIES

Inventories comprise the following:

	31 December 2016	31 December 2015
Raw materials	46,657	32,932
Semi-finished goods	9,438	9,361
Finished goods	9,902	10,496
Less: Write down to net realisable value	(1,884)	(2,244)
	64,113	50,545

11. EQUITY INVESTMENTS

	Notes	31 December 2016	31 December 2015
Investments at fair value through equity	11.1	147,580	125,403
Investments at fair value through income statement	11.2	1,028,580	1,283,546
		1,176,160	1,408,949

As at 31 December 2016, equity investments with a carrying amount of QAR 421 million were pledged against certain murabaha financing liabilities (31 December 2015: QAR 455 million).

11.1 Investments at fair value through equity

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

	31 December 2016	31 December 2015
Quoted*	121,292	99,115
Unquoted**	26,288	26,288
	147,580	125,403

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

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

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

11. EQUITY INVESTMENTS (continued)

11.2 Investments at fair value through income statement

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

	31 December 2016	31 December 2015
Investment type		
Venture capital investments	760,458	1,013,180
Other investments at fair value through income statement	268,122	270,366
	1,028,580	1,283,546

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

	31 December 2016			31 December 2015		
	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	125,403	1,283,546	1,408,949	127,509	1,349,457	1,476,966
Additions	-	11,666	11,666	-	33,913	33,913
Disposal/transfer	-	(90,136)	(90,136)	-	(237,959)	(237,959)
Fair value adjustments	22,177	(176,496)	(154,319)	(2,106)	138,135	136,029
At the end of the year	147,580	1,028,580	1,176,160	125,403	1,283,546	1,408,949

12. INVESTMENTS IN REAL ESTATE

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

	31 December 2016			31 December 2015		
	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	208,629	-	208,629	206,159	66,961	273,120
Additions	9,042	-	9,042	2,470	-	2,470
Disposal	-	-	-	-	(66,961)	(66,961)
Fair value adjustments	467	-	467	-	-	-
At the end of the year	218,138	-	218,138	208,629	-	208,629

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13. 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 2015	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)
As at 31 December 2015	74,586	72,556	48,664	67,415	13,521	1,910	2,041	280,693
Accumulated depreciation								
As at 1 January 2015	(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
As at 31 December 2015	(42,826)	(6,927)	(33,690)	(23,929)	(4,123)	(1,087)	-	(112,582)
Net book value as at								
31 December 2015	31,760	65,629	14,974	43,486	9,398	823	2,041	168,111
Cost								
As at 1 January 2016	74,586	72,556	48,664	67,415	13,521	1,910	2,041	280,693
Additions	496	-	14,672	354	6,694	488	86	22,790
Transfers	-	-	-	-	-	-	-	-
Disposals/write-off	-	-	(347)	(5)	-	(41)	(953)	(1,346)
As at 31 December 2016	75,082	72,556	62,989	67,764	20,215	2,357	1,174	302,137
Accumulated depreciation								
As at 1 January 2016	(42,826)	(6,927)	(33,690)	(23,929)	(4,123)	(1,087)	-	(112,582)
Depreciation charge*	(4,760)	(843)	(6,365)	(7,612)	(1,447)	(340)	-	(21,367)
Disposals / transfer	-	-	344	5	-	6	-	355
As at 31 December 2016	(47,586)	(7,770)	(39,711)	(31,536)	(5,570)	(1,421)	-	(133,594)
Net book value as at								
31 December 2016	27,496	64,786	23,278	36,228	14,645	936	1,174	168,543

*Depreciation charge of QAR 21.4 million (2015: QAR 17.2 million) and amortisation charge (Note 14) of QAR 10.1 million (2015: QAR 10.1 million) include aggregately QAR 12.5 million (2015: QAR 9.1 million) charges attributable to the Bank and remaining to non-banking activities.

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14. INTANGIBLE ASSETS

	Software and core banking system	Brand and contractual relationships	Total
At 1 January 2015			
Cost			
Beginning balance	26,383	34,969	61,352
Additions during the year	7,149	-	7,149
At 31 December 2015	33,532	34,969	68,501
Amortisation			
Beginning balance	(11,359)	(15,602)	(26,961)
Amortisation charge for the year	(3,598)	(6,456)	(10,054)
At 31 December 2015	(14,957)	(22,058)	(37,015)
Net book value as at 31 December 2015	18,575	12,911	31,486
As at 1 January 2016			
Cost			
Beginning balance	33,532	34,969	68,501
Additions during the year	5,287	-	5,287
At 31 December 2016	38,819	34,969	73,788
Amortisation			
Beginning balance	(14,957)	(22,058)	(37,015)
Amortisation charge for the year	(3,612)	(6,456)	(10,068)
At 31 December 2016	(18,569)	(28,514)	(47,083)
Net book value at 31 December 2016	20,250	6,455	26,705

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

15.1 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 would 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 36.1.

15.2. 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 noncancellable 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 year, the Bank sold all its stake to investors.

The Bank recognised 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”.

15.3. Equity investment held-for-sale

During the year, the Bank finalised negotiation to sell one of its investments and subsequent to year-end, the Bank signed a sale purchase agreement to sell it for a series of installments, accordingly the Bank has reclassified and presented the investment of QAR 86.3 million to assets held-for-sale in these consolidated financial statements.

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16. OTHER ASSETS

Other assets comprise the following:

	Notes	31 December 2016	31 December 2015
<i>Other non-financial assets</i>			
Prepayments		71,180	77,379
Total other non-financial assets		71,180	77,379
<i>Other financial assets</i>			
Refundable deposits		9,414	6,135
Due from related parties	29	9,846	2,969
Due from employees		3,956	3,269
Other receivables *		58,916	28,442
Total other financial assets		82,132	40,815
Total other assets		153,312	118,194

*Other receivables include accrued income of sukuk of QAR 7 million (31 December 2015: QAR 8 million) and positive fair value of Shari'ah-compliant-risk-management instruments as disclosed in Note 32.

17. FINANCING LIABILITIES

	31 December 2016	31 December 2015
Accepted wakala deposits	36,427	-
Murabaha financing	1,046,337	429,949
Ijara financing	17,464	22,377
Other Islamic financing liabilities	-	666
	1,100,228	452,992

18. CUSTOMERS' BALANCES

	31 December 2016	31 December 2015
Customers' current accounts	83,989	23,426
Wakala deposits	24,407	-
Total customers' balances	108,396	23,426

19. OTHER LIABILITIES

	Notes	31 December 2016	31 December 2015
<i>Other non-financial liabilities</i>			
Unearned revenue		825	391
Advances and other payables		9,936	5,640
Total other non-financial liabilities		10,761	6,031
<i>Other financial liabilities</i>			
Accounts payable		124,322	137,697
Staff-related payables		29,376	47,915
Dividends payable		23,659	26,196
Due to related parties	29	65	1,309
Other payables and accrued expenses*		8,271	9,851
Total other financial liabilities		185,693	222,968
Total other liabilities		196,454	228,999

* Other payables and accrued expenses include negative fair value of Shari'ah-compliant-risk-management instruments as disclosed in Note 32.

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20. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

a) By type

	31 December 2016	31 December 2015
Term accounts	2,681,783	3,038,667
Profit payable to equity of investment account holders	15,887	15,708
	2,697,670	3,054,375

b) By sector

	31 December 2016	31 December 2015
Individual	153,104	204,648
Government	175,004	162,133
Corporate	2,369,562	2,687,594
	2,697,670	3,054,375

Due to the terms of profit sharing ratios (predominantly at 5% to mudarib and 95% to investment account holders) 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 6.4 million (2015: QAR 23.2 million) as presented in the table below.

	31 December 2016	31 December 2015
Return on equity of unrestricted investment account holders in the profit before Bank's Mudaraba income	87,190	57,914
Less:		
- Return on unrestricted investment account holders	(81,470)	(31,083)
- Share of profit waived by the Bank in favour of unrestricted investment account holders	(6,425)	(23,244)
- Mudarib's incentives	3,341	-
Total return to unrestricted investment account holders	(84,554)	(54,327)
Bank's net mudaraba income	2,636	3,587

21. SHARE CAPITAL

	31 December 2016	31 December 2015
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

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22. 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.

Furthermore, as part of recapitalisation of Isnad Catering Services WLL, shareholders thereof capitalised their financings to equity, which resulted in an increase of non-controlling interest by QAR 4.6 million.

23. REVENUE AND EXPENSES FROM NON-BANKING ACTIVITIES

	31 December 2016	31 December 2015
Sales	436,947	415,512
Other income	5,764	1,283
Revenue from non-banking activities	442,711	416,795
Cost of sales	(339,441)	(322,001)
Other expenses	(79,760)	(66,980)
Finance costs	(25,305)	(13,959)
Expenses from non-banking activities	(444,506)	(402,940)
Net income from non-banking activities	(1,795)	13,855

24. OTHER INCOME

	31 December 2016	31 December 2015
Net foreign exchange gain*	43,307	8,390
Rental income	8,925	11,185
Miscellaneous income	9,636	4,803
	61,868	24,378

*It includes unrealised fair value of Shari'ah-compliant-risk-management instruments as disclosed in Note 32

25. OTHER OPERATING EXPENSES

	31 December 2016	31 December 2015
Rent expense	22,500	22,568
Professional services	18,304	10,217
Other	27,867	22,294
	68,671	55,079

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26. BASIC / DILUTED EARNINGS PER SHARE

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

	Notes	31 December 2016	31 December 2015
Basic earnings per share			
Net (loss) / profit attributable to the shareholders of the Bank from continuing operations		(266,886)	66,005
Net (loss) / profit attributable to the equity holders of the Bank from discontinued operations	15.2	1,199	-
Net (loss) / profit for the year attributable to the equity holders of the Bank		(265,687)	66,005
Total weighted average number of shares		200,000	200,000
Basic (loss) / earnings per share from continuing operations - QAR		(1.34)	0.33
Basic earnings per share from discontinued operations - QAR		0.01	-
Basic (loss) / earnings per share		(1.33)	0.33

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

27. CONTINGENT LIABILITIES

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

	31 December 2016	31 December 2015
Letters of credit	913	6,465
Letters of guarantee	74,654	73,908
Unutilised credit facilities	133,341	124,495
	208,908	204,868

Contingent liabilities related to Shari'ah-compliant-risk-management instruments as disclosed in Note 32.

28. COMMITMENTS

	31 December 2016	31 December 2015
Commitment for operating lease		
Later than one year	71,797	96,232
No later than one year	27,522	29,100
	99,319	125,332
Investment related commitment	22,306	28,367
Commitment for operating and capital expenditure	729	4,137
	122,354	157,836

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29. 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.

Balances and transactions in respect of related parties included in the financial statements are as follows:

		As at and for year ended 31 December 2016		
		Affiliated entities / persons	Associates	Total
	Notes			
a) Consolidated statement of financial position				
Financing assets	8	5,587	114,460	120,047
Other assets	16	9,846	-	9,846
Other liabilities	19	65	-	65
b) Consolidated income statement				
Income from financing assets		195	11,622	11,817

		As at and for year ended 31 December 2015		
		Affiliated entities / persons	Associates	Total
	Notes			
a) Consolidated statement of financial position				
Financing assets	8	-	125,637	125,637
Other assets	16	2,969	-	2,969
Other liabilities	19	1,309	-	1,309
b) Consolidated income statement				
Income from financing assets		-	14,311	14,311
Revenue from non-banking activities		9	-	9

Key management compensation is presented below:

	2016	2015
c) Compensation of key management personnel		
Senior management personnel	32,135	37,301
Shari'ah Supervisory Board remuneration	522	578
	32,657	37,879

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30. 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'ah Supervisory Board of the Bank and notified to the Owners. Zakah payable by the owners, for the year ended 31 December 2016 was QAR 0.10 for every share held (2015: QAR 0.1150).

31. 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 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. Fair value is determined for each investment individually in accordance with the valuation policies adopted by the Group as set out in 3.11.

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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31. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

Investment risk

Equity 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.

	Notes	31 December 2016	31 December 2015
Balances with banks	5	95,804	93,754
Placements with financial institutions	5	1,009,673	1,506,414
Due from banks	6	355,000	-
Investments carried at amortised cost	7	893,217	943,416
Financing assets	8	1,472,871	1,109,417
Accounts receivable	9	249,691	217,126
Other financial assets	16	82,132	40,815
		4,158,388	3,910,942

As at 31 December 2016 total gross amount of past due and impaired financing assets was QAR 131.7 million (31 December 2015: QAR 75.5 million) and overdue instalment amount was QAR 73.2 million (31 December 2015: QAR 10.4 million), which is 4.3% (31 December 2015: 0.8%) of the gross amount of financing assets. The remaining balance is neither past due nor impaired (31 December 2015: nil).

Risk

Only balances with banks and placements with banks within cash and cash equivalents; and due from banks; as well as investments carried at amortised cost have external rating which are summarised below:

	31 December 2016	31 December 2015
AAA to A-	1,732,712	2,020,821
BBB+ to B-	620,982	522,763

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31. 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 2016 the Group had balances with 3 counterparty banks (31 December 2015: 3 banks) with aggregated amounts above QAR 250 million. The total aggregate amount of these deposits was QAR 1.37 billion (31 December 2015: QAR 1.26 billion). The analysis by geographical region of the Group's financial assets having credit risk is as follows:

	31 December 2016	31 December 2015
Qatar	3,047,396	2,703,295
United Arab Emirates	712,727	681,730
Asia & Middle East	181,423	302,984
North America	9,845	25,022
Europe & Others	206,997	197,911
	4,158,388	3,910,942

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

	31 December 2016	31 December 2015
Financial services	2,082,717	2,148,715
Industrial	24,798	20,009
Real estate and construction	1,240,844	872,724
Technology	8,555	4,957
Oil & gas	-	-
Others	801,474	864,537
	4,158,388	3,910,942

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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31. 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	Total
At 31 December 2016						
Financial assets						
Cash and cash equivalents	104,123	1,009,673	–	–	–	1,113,796
Due from banks	–	200,000	155,000	–	–	355,000
Investments carried at amortised cost	–	–	–	164,324	728,893	893,217
Financing assets	21	45,680	90,231	14,046	1,322,893	1,472,871
Accounts receivable	2,760	101,610	66,531	78,290	500	249,691
Equity investments	–	60,552	99,214	197,789	818,605	1,176,160
Assets of disposal group classified as held-for-sale	–	86,253	–	–	–	86,253
Other financial assets	–	24,454	7,836	6,570	43,272	82,132
Total financial assets	106,904	1,528,222	418,812	461,019	2,914,163	5,429,120
Financial liabilities and equity of unrestricted investment account holders						
Financing liabilities	–	288,090	736,824	29,806	45,508	1,100,228
Customers' balances	83,989	–	–	16,555	7,852	108,396
Other financial liabilities	24,403	60,080	42,238	32,730	26,242	185,693
Equity of unrestricted investment account holders	301	2,298,601	237,321	161,447	–	2,697,670
Total financial liabilities and equity of unrestricted investment account holders	108,693	2,646,771	1,016,383	240,538	79,602	4,091,987
Net liquidity gap	(1,789)	(1,118,549)	(597,571)	220,481	2,834,561	1,337,133
Net cumulative gap	(1,789)	(1,120,338)	(1,717,909)	(1,497,428)	1,337,133	
Contingent liabilities*	–	81,717	51,856	40,670	34,665	208,908
Commitments	–	23,035	13,761	13,761	71,797	122,354

*Contingent liabilities related to Shari'ah-compliant-risk-management instruments as disclosed in Note 32.

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31. 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	Total
At 31 December 2015						
Financial assets						
Cash and cash equivalents	97,551	1,506,412	-	-	-	1,603,963
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	-	91,336	28,812	52,025	44,953	217,126
Equity investments	-	-	15,351	120,720	1,272,878	1,408,949
Other financial assets	-	7,792	6,705	1,632	24,686	40,815
Total financial assets	108,010	1,676,258	107,602	383,357	3,048,459	5,323,686
Financial liabilities and equity of unrestricted investment account holders						
Financing liabilities	666	176,514	39,854	120,148	115,810	452,992
Customers' balances	23,426	-	-	-	-	23,426
Other financial liabilities	26,196	81,009	24,082	16,479	75,202	222,968
Equity of unrestricted investment account holders	-	2,333,659	633,858	86,858	-	3,054,375
Total financial liabilities and equity of unrestricted investment account holders	50,288	2,591,182	697,794	223,485	191,012	3,753,761
Net liquidity gap	57,722	(914,924)	(590,192)	159,872	2,857,447	1,569,925
Net cumulative gap	57,722	(857,202)	(1,447,394)	(1,287,522)	1,569,925	
Contingent liabilities*	-	37,202	8,163	4,112	155,391	204,868
Commitments	-	32,504	14,550	14,550	96,232	157,836

*Contingent liabilities related to Shari'ah-compliant-risk-management instruments as disclosed in Note 32.

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 2016, if equity prices at that date had been 5% higher/lower with all other variables held constant, net income for the year would have not been impacted (31 December 2015: no impact) and fair value reserve would have been impacted by QAR 6 million (31 December 2015: QAR 4.9 million) higher/lower.

b) Non-listed equity investments

Sensitivities on non-listed equity investments are disclosed in Note 33.

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31. 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.

	31 December 2016	Change in basis points (+/-)	Effect on net profit / loss (+/-)
Assets			
Placements with financial institutions	1,009,673	100	10,097
Due from banks	355,000	100	3,550
Investments carried at amortised cost	893,217	100	8,932
Financing assets	1,472,871	100	14,729
Liabilities and Equity of unrestricted investment account holders			
Financing liabilities	1,100,228	100	(11,002)
Equity of unrestricted investment account holders	2,697,670	100	(26,977)
			(671)

	31 December 2015	Change in basis points (+/-)	Effect on net profit / loss (+/-)
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			
Financing liabilities	452,992	100	(4,530)
Equity of unrestricted investment account holders	3,054,375	100	(30,544)
			518

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31. 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)	
	31 December 2016	31 December 2015
USD	571,061	1,372,307
AED	114,389	56,442
SAR	267	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 (+/-)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
GBP	52,651	76,678	2,633	3,834
EUR	10,513	(1,012)	526	(51)
JOD	49	855	2	43
TRY	480,080	564,200	24,004	28,210
KWD	32	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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31. 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:

	31 December 2016	31 December 2015
Total risk weighted assets	8,732,266	9,670,524
Share capital	2,000,000	2,000,000
Reserves	(561)	(22,243)
(Accumulated deficit) / Retained earnings	(200,754)	68,319
Non-controlling interest	76,366	53,968
Intangible assets	(26,705)	(14,611)
Other regulatory adjustments	(17,993)	-
Total qualifying capital and reserve funds	1,830,353	2,085,433
Total capital resources expressed as a percentage of total risk weighted assets	20.96%	21.56%

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32. SHARI'AH-COMPLIANT-RISK-MANAGEMENT INSTRUMENTS

32.1 Profit rate swap

Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal.

32.2 Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise execution dates, by exchanging the purchase/sale offers and acceptances between the relevant parties. The table below shows the positive and negative fair values of Shari'ah-compliant-riskmanagement financial instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

	Positive fair value	Negative fair value	Notional amount	Less than 3 months	6 to 12 months	1 to 5 years
31 December 2016						
Profit rate swaps	134	(454)	851,505	-	163,800	687,705
Unilateral promise to buy/ sell currencies	4,260	(1,013)	1,148,371	262,759	885,612	-
Currency options	2,228	-	120,450	-	120,450	-
	6,622	(1,467)	2,120,326	262,759	1,169,862	687,705

	Positive fair value	Negative fair value	Notional amount	Less than 3 months	6 to 12 months	1 to 5 years
31 December 2015						
Profit rate swaps	-	(1,462)	813,285	-	36,400	776,885
Unilateral promise to buy/ sell currencies	-	(4,911)	1,309,971	291,913	1,018,058	-
	-	(6,373)	2,123,256	291,913	1,054,458	776,885

Unrealised fair value gain/loss arising from Shari'ah-compliant-risk management instruments were recognized in these consolidation financial statements as required by IFRS; however, as per requirement of Shari'ah principles gains/losses are realised when actual transactions / settlements happen.

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33. 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 liability, in an orderly transition between market participants and 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.

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

31 December 2016	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	1,113,796	1,113,796
Due from banks	355,000	355,000
Investments carried at amortised cost	893,217	897,202
Financing assets	1,472,871	1,472,871
Accounts receivable	249,691	249,691
Equity investments	1,176,160	1,176,160
Assets of disposal group classified as held-for-sale	86,253	86,253
Other financial assets	82,132	82,132
	5,429,120	5,433,105
Financial Liabilities:		
Financing liabilities	1,100,228	1,100,228
Customers' current accounts	108,396	108,396
Other financial liabilities	185,693	185,693
Equity of unrestricted investment account holders	2,697,670	2,697,670
	4,091,987	4,091,987

31 December 2015	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	1,603,963	1,603,963
Investments carried at amortised cost	943,416	938,034
Financing assets	1,109,417	1,109,417
Accounts receivable	217,126	217,126
Equity investments	1,408,949	1,408,949
Other financial assets	40,815	40,815
	5,323,686	5,318,304
Financial Liabilities:		
Financing liabilities	452,992	452,992
Customers' current accounts	23,426	23,426
Other financial liabilities	222,968	222,968
Equity of unrestricted investment account holders	3,054,375	3,054,375
	3,753,761	3,753,761

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33. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

33.1 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
 - iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).
- Management applies judgement 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 2016	Level 1	Level 2	Level 3	Total
Equity investments				
- at fair value through equity	121,292	-	26,288	147,580
- at fair value through income statement	-	-	1,028,580	1,028,580
Net gains and losses included in the consolidated statement of changes in owners' equity	22,177	-	-	22,177
Net gains and losses, recognized through consolidated income statement	-	-	(176,496)	(176,496)

Shari'ah-compliant-risk-management instruments related assets and liabilities, as disclosed in Note 32, belong to level 2 fair value hierarchy.

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

The fair values of financial assets and financial liabilities carried at amortised 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 897 million (31 December 2015: QAR 938 million) is derived using Level 1 fair value hierarchy.

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33. 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 2016 and 2015 for level three investments, measured at fair value:

	Valuation technique	Inputs used	Range of inputs	
			2016	2015
Investments at fair value through income statement	Discounted cash flows ("DCF")	Growth rate Discount rate	1% to 5.4% 10% to 17.7%	1% to 5% 10% to 17.1%

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 2016	Total losses recorded in consolidated income statement	Additions	Sales/ transfers	At 31 December 2016
Equity investments					
• at fair value through equity	26,288	–	–	–	26,288
• at fair value through income statement	1,283,546	(176,496)	11,666	(90,136)	1,028,580
	1,309,834	(176,496)	11,666	(90,136)	1,054,868

	At 1 January 2015	Total gains recorded in consolidated income statement	Additions	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

Transfers between level 1, level 2 and level 3

There were no transfers between the levels during the year ended 31 December 2016 (2015: none).

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 5.4% (2015: 1% to 5%) based on actual and expected performance of the investee. Should the growth rates increase / decrease by 1 percentage point (2015: 1 percentage point), the carrying value of the investments would be QAR 87.3 million higher / QAR 71.1 million lower (2015: QAR 103.3 million higher / QAR 82.9 million lower);
- **Discount rate:** The discount rates are assumed to be in range of 10%-17.7% (2015: 10% - 17.1%) for different investments. Should these discount rates increase / decrease by 1 percentage point (2015: 1 percentage point), the carrying value of the investments would be QAR 111 million lower / QAR 136.4 million higher (2015: QAR 122.4 million lower / QAR 152.1 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 (2015: 1 percentage point), the carrying value of the investments would be QAR 11.5 million higher / lower (2015: QAR 11.5 million higher / lower).

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34. 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, treasury services and investment management services. The Private banking department targets qualified High Net Worth clients with Shari'ah 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.

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34. SEGMENT INFORMATION (continued)

Below is the information about operating segments

For the year ended 31 December 2016	Alternative Investments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	442,711	-	-	442,711
Gain / (loss) on re-measurement of investments at fair value through income statement	(176,496)	-	-	(176,496)
Dividend income	13,115	-	-	13,115
Profit on investments carried at amortised cost	-	28,778	-	28,778
Gain on disposal of investments carried at amortised cost	-	673	-	673
Gain on disposal of investment in real estate	-	-	-	-
Gain on disposal of convertible murabaha	-	-	-	-
Income from financing assets	11,622	57,362	-	68,984
Income from placements with financial institutions	-	31,037	-	31,037
Other income	33,279	19,650	8,939	61,868
Total Income Before Return To Investment Account Holders	324,231	137,500	8,939	470,670
Return to unrestricted investment account holders	-	(84,554)	-	(84,554)
TOTAL SEGMENT INCOME	324,231	52,946	8,939	386,116
EXPENSES				
Expenses from non-banking activities	(444,506)	-	-	(444,506)
Staff costs	(15,552)	(21,625)	(42,973)	(80,150)
Financing costs	(14,838)	(7,687)	-	(22,525)
Depreciation and amortization	(352)	(6,414)	(5,744)	(12,510)
Other operating expenses	(11,659)	(15,823)	(41,189)	(68,671)
TOTAL SEGMENT EXPENSES	(486,907)	(51,549)	(89,906)	(628,362)
Provision for impairment on financing assets	(9,440)	(15,876)	-	(25,316)
NET LOSS BEFORE INCOME TAX	(172,116)	(14,479)	(80,967)	(267,562)
Income tax expense	-	-	-	-
NET LOSS FROM CONTINUING OPERATIONS	(172,116)	(14,479)	(80,967)	(267,562)
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	-	1,199	-	1,199
REPORTABLE SEGMENT LOSS	(172,116)	(13,280)	(80,967)	(266,363)

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34. SEGMENT INFORMATION (continued)

For the year ended 31 December 2015	Alternative Investments	Private Bank	Other	Total
INCOME				
Revenue from non-banking activities	416,795	-	-	416,795
Gain / (loss) on re-measurement of investments at fair value through income statement	138,135	-	-	138,135
Dividend 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
Gain / (loss) on disposal of equity investments	(29,360)	-	-	(29,360)
Gain on disposal of investment in real estate	16,961	-	-	16,961
Gain on 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 Investment Account Holders	618,593	68,030	11,202	697,825
Return to unrestricted investment account holders	-	(54,327)	-	(54,327)
TOTAL SEGMENT INCOME	618,593	13,703	11,202	643,498
EXPENSES				
Expenses from non-banking activities	(402,940)	-	-	(402,940)
Staff costs	(16,519)	(20,453)	(53,834)	(90,806)
Financing costs	(14,179)	-	-	(14,179)
Depreciation and amortization	(360)	(3,508)	(5,259)	(9,127)
Other operating expenses	(4,238)	(11,657)	(39,184)	(55,079)
TOTAL SEGMENT EXPENSES	(438,236)	(35,618)	(98,277)	(572,131)
Provision for impairment on financing assets	-	(3,313)	-	(3,313)
NET PROFIT / (LOSS) BEFORE INCOME TAX	180,357	(25,228)	(87,075)	68,054
Income tax expense	-	-	-	-
NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS	180,357	(25,228)	(87,075)	68,054
DISCONTINUED OPERATIONS				
Profit from discontinued operations, net of tax	-	-	-	-
REPORTABLE SEGMENT PROFIT / (LOSS)	180,357	(25,228)	(87,075)	68,054

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34. 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.

For the year ended 31 December 2016	Qatar	Others	Total
INCOME			
Revenue from non-banking activities	30,028	412,683	442,711
Gain / (loss) on re-measurement of investments at fair value through income statement	-	(176,496)	(176,496)
Dividend income	4,705	8,410	13,115
Profit on investments carried at amortised cost	6,724	22,054	28,778
Gain on disposal of investments carried at amortised cost	-	673	673
Gain / (loss) on disposal of equity investments	-	-	-
Gain on disposal of investment in real estate	-	-	-
Gain from disposal of convertible murabaha	-	-	-
Income from financing assets	57,362	11,622	68,984
Income from placements with financial institutions	30,938	99	31,037
Other income	57,008	4,860	61,868
Total Income Before Return To Investment Account Holders	186,765	283,905	470,670
Return to unrestricted investment account holders	(84,554)	-	(84,554)
TOTAL INCOME	102,211	283,905	386,116
EXPENSES			
Expenses from non-banking activities	(30,383)	(414,123)	(444,506)
Staff costs	(80,150)	-	(80,150)
Financing costs	(326)	(22,199)	(22,525)
Depreciation and amortisation expenses	(12,510)	-	(12,510)
Other operating expenses	(57,012)	(11,659)	(68,671)
TOTAL EXPENSES	(180,381)	(447,981)	(628,362)
Provision for impairment on financing assets	(15,876)	(9,440)	(25,316)
NET LOSS BEFORE INCOME TAX	(94,046)	(173,516)	(267,562)
Income tax expense	-	-	-
NET LOSS FROM CONTINUING OPERATIONS	(94,046)	(173,516)	(267,562)
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	-	1,199	1,199
NET PROFIT / (LOSS) FOR THE YEAR	(94,046)	(172,317)	(266,363)

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34. SEGMENT INFORMATION (continued)

For the year ended 31 December 2015	Qatar	Others	Total
INCOME			
Revenue from non-banking activities	28,673	388,122	416,795
Gain / (loss) 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
Gain / (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 Investment Account Holders	107,835	589,990	697,825
Return to unrestricted investment account holders	(54,327)	-	(54,327)
TOTAL INCOME	53,508	589,990	643,498
EXPENSES			
Expenses from non-banking activities	(27,548)	(375,392)	(402,940)
Staff costs	(90,806)	-	(90,806)
Financing costs	-	(14,179)	(14,179)
Depreciation and amortisation expenses	(9,127)	-	(9,127)
Other operating expenses	(50,841)	(4,238)	(55,079)
TOTAL EXPENSES	(178,322)	(393,809)	(572,131)
Provision for impairment on financing assets	(3,313)	-	(3,313)
NET PROFIT / (LOSS) BEFORE INCOME TAX	(128,127)	196,181	68,054
Income tax expense	-	-	-
NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS	(128,127)	196,181	68,054
DISCONTINUED OPERATIONS			
Profit from discontinued operations, net of tax	-	-	-
NET PROFIT / (LOSS) FOR THE YEAR	(128,127)	196,181	68,054

35. DIVIDENDS

The Board of Directors in their meeting held on 14 March 2017, proposed no dividend distribution for the year ended 31 December 2016 (2015: nil). This proposal is subject to shareholders' approval at the General Assembly Meeting.

In its General Assembly Meeting held on 31 March 2015, the shareholders of the Bank approved a dividend distribution of QAR 160 million for the year ended 31 December 2014.

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36. COMPARATIVES

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

As disclosed in Note 15.1, subsequent to the year-end 2015, the negotiation with a third party to invest into the 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 consolidated statement of financial position and consolidated income statement for presentation purposes was as follows on the amounts as at and for year ended 31 December 2015:

	31 December 2015		
	As originally presented	Reclassification	As reclassified
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
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	234,746	452,992
Other liabilities	106,086	122,913	228,999
Liabilities held-for-sale	357,659	(357,659)	-
CONSOLIDATED INCOME STATEMENT			
Revenue from non-banking activities	109,838	306,957	416,795
Expenses from non-banking activities	105,727	(297,213)	(191,486)
Discontinued operations	9,744	(9,744)	-

37. SIGNIFICANT SUBSEQUENT EVENTS

Subsequent to year-end, the Bank has sold a partial stake in one of its investment in healthcare platforms and also signed a share purchase agreement to sell its full stake in one of its investment in food & beverage.

