

This Prospectus is dated 19 April 2016



This English version prospectus (Prospectus) is an unofficial English language translation of the Arabic language prospectus (Arabic Prospectus). The Qatar Financial Markets Authority (QFMA) has reviewed the Arabic Prospectus and approved its publication, but has not reviewed this Prospectus nor approved its publication. The QFMA takes no responsibility for the contents of this Prospectus nor the Arabic Prospectus, makes no representations as to their accuracy or completeness, and expressly disclaims any liability whatsoever for any loss, howsoever arising from or in reliance upon any part of the contents of this Prospectus or the Arabic Prospectus.

## Listing Prospectus

### QATAR FIRST BANK L.L.C.

*(Limited Liability Company incorporated in the Qatar Financial Centre in accordance with the QFC Rules and Regulations)*

Listing of 200,000,000 ordinary fully paid-up shares of par value QAR 10.00 each representing the entire issued and paid-up share capital of Qatar First Bank L.L.C.



Listing Advisor  
Al Rayan Investment L.L.C.



Local Legal Counsel  
Sultan Al-Abdulla & Partners

International Legal Counsel  
Pillsbury Winthrop Shaw Pittman L.L.P.



Independent Valuer  
Deloitte & Touche



External Auditors  
KPMG L.L.C.

The QFMA and the Qatar Exchange shall bear no liability for the validity, comprehensiveness and sufficiency of the details and information mentioned in this Prospectus, or the Arabic Prospectus, and the QFMA and the Qatar Exchange explicitly declare that they bear no liability for any loss, which could be incurred by any Person taking decisions according to the whole or some of the aforesaid details or information.

We, the directors and the Senior Executive Managers of Qatar First Bank L.L.C. whose names and signatures appear below shall be jointly and severally responsible for the information and statements set out in this Prospectus. We hereby declare that we have endeavoured to ensure that the information and statements set out in this Prospectus are true and do not omit any information that may impair the significance, fullness and adequacy of the information.



Mr. Abdullah bin Fahad bin Ghorab Al Marri  
Chairman



Mr. Ibrahim Mohamed Al Jomaih  
Vice Chairman



Mr. Ibrahim Mohamed Ibrahim Al Jaidah  
Director



Mr. Ahmed bin Abdullah Al Marri  
Director



Mr. Anwar Jawad Bukhamseen  
Director



Sheikh Hamed bin Nasser bin Jassim Al Thani  
Director



Mr. Ali bin Mohamed Al Obaidli  
Director



Mr. Khaled Abdulla Khouri  
Director



Mr. Mohammad Nasser Al Faheed Al Hajri  
Director



Mr. Mosabah Saif Mosabah Al Mutaury  
Director



Mr. Jassim Mohammad Al-Kaabi  
Director



Mr. Ziad Khalil Makkawi  
Chief Executive Officer

Qatar First Bank L.L.C. (**QFB** or the **Bank**) is listing 200,000,000 ordinary shares (the **Shares** and each a **Share**) with a nominal value of QAR 10.00 each in itself, on the Qatar Exchange (the **Listing**). The Shares represent the entire issued share capital of the Bank and the Listing will not involve a public offering of the Shares.

QFB is licensed by the Qatar Financial Center Authority (**QFCA**) and authorised by the Qatar Financial Centre Regulatory Authority (the **QFCRA**) under the QFCRA authorisation dated 4 September 2008 (and extended on 30 June 2010). QFB is incorporated and registered as a limited liability company in the Qatar Financial Centre (**QFC**) with registration number 00091 and has an authorized share capital of QAR 2,500,000,000 and an issued and paid up share capital of QAR 2,000,000,000, divided into 200,000,000 ordinary shares of par value QAR 10.00 each.

Prior to the Listing, there has been no public market for the Shares. As part of the Listing, QFB will submit an application for listing the Shares on the Qatar Exchange. Trading in the Shares on the Qatar Exchange is expected to commence in or about the first half of 2016.

Holders of the Shares will not have their right to dividends affected by the Listing and shall be entitled to any dividend declared on any Shares that they hold as if the Listing did not take place. See “*Dividend Policy*”.

This Listing is subject to the provision of QFB’s memorandum and articles of association (the **Articles of Association**) and has been prepared in accordance with the requirements of the QFMA, Qatar Exchange and the QFC.

*This Prospectus is only valid for a period of six months from the date on which it is approved.*

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In order to obtain information on the risks that Investors in the Shares should take into consideration, please refer to the <i>Risk Factors</i> section contained in this Prospectus.
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## IMPORTANT NOTICE

The information in this Prospectus has been prepared and is provided in accordance with the requirements as set out in the QFMA Offering and Listing Rulebook of Securities.

This Prospectus does not contain misleading information, nor has any material information been omitted that might affect any future potential Investors' decisions regarding their investment in the Shares.

This Prospectus has been prepared by QFB, a limited liability company established in the QFC. QFB is authorized and regulated by the QFCRA and licensed by the QFCA. QFB does not require any further licensing and authorization in Qatar.

The Bank was duly incorporated as a limited liability company in Qatar in QFC under license No. 00091 dated 4 September 2008 and issued by the QFCA. The authorized share capital of the Bank is QAR 2,500,000,000 and its issued share capital amounts to QAR 2,000,000,000, divided into 200,000,000 Shares which are fully paid up.

It is important to emphasize that the Listing contemplated under this Prospectus will not involve a public offering of Shares and therefore, this Prospectus is prepared only for the purposes of listing the Shares on the Qatar Exchange. Any Person who receives a copy of this Prospectus confirms its/his/her understanding of the intended purpose of this Prospectus. Notwithstanding the foregoing, any Person who is in possession of this Prospectus and is a future potential Investor is required to carefully review the Prospectus and any ongoing disclosures by the Bank prior to making an investment decision regarding the Shares, taking into account all facts described therein in light of their own investment considerations.

An application has been made to the QFMA and the Qatar Exchange for all of the Shares to be admitted to listing and trading on the Qatar Exchange. It is expected that listing will become effective and that dealings for normal settlement in the Shares will commence during the last week of April 2016.

Prior to the Listing, the Shares were traded in the OTC market.

This Prospectus is only being distributed in Qatar. Neither this Prospectus, nor any advertisement nor any other offering material, is being distributed or published in any jurisdiction except Qatar. Persons into whose possession this Prospectus comes should inform themselves about and observe these restrictions.

All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions. Investment in the Shares may entail considerable risks. Investors should read the risk analysis set out in the *Risk Factors* section of this Prospectus. The Investor must not invest any funds in the Shares unless the Investor is able to bear the loss of its/his/her investment.

Should this Prospectus be distributed in any jurisdiction other than Qatar, such distribution may be restricted by law or may be subject to prior regulatory approvals. In any case, this Prospectus may not be distributed in any jurisdiction where such distribution is, or may be, unlawful. This Prospectus does not constitute an offer to sell or an invitation by or on behalf of the Pre-Listing Shareholders or QFB to purchase any of the Shares. The Pre-Listing Shareholders, QFB and the Listing Advisor require Persons into whose possession this Prospectus comes to inform

themselves of and observe all such restrictions. None of the Pre-Listing Shareholders, QFB or the Listing Advisor accepts any legal responsibility for any violation of any such restrictions on the sale of the Shares.

### **Bahrain**

The Bank represents and warrants that it has not made and will not make any invitation in or from Bahrain and will not market or offer the securities in the Bank to any potential Investor in Bahrain. Neither this Prospectus nor any other related documents have been filed, registered with or approved by the Central Bank of Bahrain or any other authority in Bahrain. The Central Bank of Bahrain and the Bahrain Bourse take no responsibility for the accuracy of the statements and information contained in this document, nor shall they have any liability to any Person for any loss or damage resulting from reliance on any statements or information contained herein.

### **Kuwait**

This document is not for general circulation to the public in Kuwait. Nothing in this document constitutes, is intended to constitute, shall be treated as constituting or shall be deemed to constitute, any offer or sale of securities in Kuwait or the inward marketing of securities or an attempt to do business, as a bank, an investment company or otherwise in Kuwait other than in compliance with any laws applicable in Kuwait governing the issue, offering and sale of securities. The securities discussed herein have not been licensed for offering in Kuwait by the Capital Markets Authority of Kuwait, the Kuwait Central Bank or any other relevant Kuwaiti governmental agency. The offering of interests in securities in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 of Kuwait and the bylaws thereto (as amended). No private or public offering of interests in securities is being made in Kuwait, and no agreement relating to the sale of interests in securities will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market interests in securities in Kuwait.

### **Saudi Arabia**

This Prospectus does not constitute an offer to Persons in Saudi Arabia, and may not be distributed in Saudi Arabia except to such Persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia.

The Capital Market Authority of Saudi Arabia does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus. Prospective Investors intending to acquire Shares on the Qatar Exchange should conduct their own due diligence on the accuracy of the information relating to the securities.

### **United Arab Emirates (outside of the Dubai International Financial Centre)**

This Prospectus has not been, and is not intended to be, approved by the Central Bank of the UAE, the UAE Ministry of Economy, the UAE Securities and Commodities Authority, or any other authority in the United Arab Emirates, including in any of the Free Zones. Neither QFB nor the Listing Advisor has received any authorization or license from the Central Bank of the UAE or any other authority in the UAE or any Free Zone to sell or market the securities therein. This Prospectus does not constitute a public offer of securities in the UAE under the UAE Commercial Companies Law (Federal Law No. 2 of 2015) or otherwise. The information contained in this Prospectus is not

intended to lead to the sale of any securities or the consummation of any agreement of any nature within the territory of the UAE, including any Free Zone established in the UAE.

### **Dubai International Financial Centre**

This Prospectus does not, and is not intended to, constitute a financial promotion, offer, sale or delivery of shares or other securities in, into or from the DIFC, unless such offer is an “exempt offer” for the purposes of the Markets Rules Module of the DFSA Rulebook issued by the DFSA. Persons in the DIFC into whose possession this Prospectus or any Shares may come must inform themselves about the nature of the Shares as a restricted security and observe any applicable restrictions in any relevant jurisdiction on the distribution of this Prospectus and the Shares. The DFSA has no responsibility for reviewing or verifying any documents in connection with the Shares and has not approved this Prospectus or taken steps to verify the information set out in this Prospectus. Neither this Prospectus nor the securities to which it relates have been approved or licensed by the DFSA.

### **Oman**

This Prospectus does not constitute a public offer of investment or securities in Oman, as contemplated by the Commercial Companies Law of Oman (Royal Decree No. 4/1974), Banking Law of Oman (Royal Decree No. 114/2000) or the Capital Market Law of Oman (Royal Decree No. 80/1998) and the Executive Regulations of the Capital Market Law (Ministerial Decision No. 1/2009) or an offer to sell or the solicitation of any offer to buy non-Omani securities in Oman.

Additionally, this Prospectus is not intended to lead to the making of any contract within the territory or under the laws of Oman.

This Prospectus is regulated by the QFMA and is in compliance with the laws of Qatar. The Capital Market Authority of Oman and the Central Bank of Oman take no responsibility for the accuracy of the statements and information contained in this document, nor shall they have any liability to any Person for damage or loss resulting from reliance on any statement or information contained herein.

### **United States of America**

The Shares hereby being listed have not been and will not be registered under the Securities Act or the securities law of any state or territory of the United States of America and may not be offered or sold within the United States of America, or to, or for the account or benefit of, a U.S. Person (as defined in regulations under the Securities Act), except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities law.

### **United Kingdom**

Neither this Prospectus nor any other document issued in connection with the Listing may be passed on to any Person in the United Kingdom. All applicable provisions of the Financial Services and Markets Act of 2000, as amended, must be complied with in respect of anything done in relation to the Shares in, from or otherwise involving the United Kingdom.

No Person is or has been authorized to give any information or to make any representations other than the information and those representations contained herein in connection with the Listing. If given or made, such information or representations must not be relied upon as having been authorized by the Pre-Listing Shareholders, QFB or any of their respective legal or accounting

advisors, or by the Listing Advisor. Each prospective Investor should conduct its own assessment of the Listing and consult its own independent professional advisors. The delivery of this Prospectus, under any circumstances, does not constitute a recommendation to purchase the Shares upon Listing nor does it create any implication that there has been no change in the affairs of QFB since the date hereof or that the information contained herein is correct as of any time subsequent to its date. The content of this Prospectus may, however, still be subject to change until the completion of the Listing. If required, these changes will be made through an amendment to this Prospectus. The Listing Advisor is acting for QFB and the Pre-Listing Shareholders in connection with the matters described in this Prospectus, and is not acting for any other Person and will not be responsible to any other Person for providing the protections afforded to customers of the Listing Advisor or for advising any other Person in connection with the matters described in this Prospectus.

## **CERTAIN DEFINED TERMS AND CONVENTIONS**

Unless the context otherwise requires, the terms “Qatar” and the “State” refer to the State of Qatar; the terms “Government” refer to the Government of Qatar; the terms “QFB” or the “Bank” shall refer to Qatar First Bank L.L.C; the term “Group” shall refer to QFB and the Subsidiaries; the term “Subsidiaries” shall refer to the four companies which are consolidated in QFB Financial Statements; and the term “GCC” refers to the Gulf Cooperation Council, whose member states are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. As used in this Prospectus, “Qatari Riyal” or “QAR” means the lawful currency of the State of Qatar and “U.S. Dollar” or “USD” means the lawful currency of the United States of America.

A glossary of selected and defined terms used in this Prospectus appears at the end of this Prospectus.

## **ENFORCEMENT OF JUDGMENTS**

In general, as a matter of Qatari law, Qatari courts will enforce a foreign judgment upon the following conditions: (a) the foreign judgment is a final award that has been handed down by a court of competent jurisdiction, (b) the party against whom the foreign judgment is to be enforced was properly served and represented in the proceedings in the foreign court, (c) the foreign judgment does not violate the public policy or morality of Qatar, (d) the issue in question was not res judicata in Qatar, (e) the subject matter was not reserved for the exclusive jurisdiction of the Qatari courts and there is reciprocity of enforcement between the foreign jurisdiction in question and Qatar.

Qatar has entered into a treaty governing the reciprocal enforcement of foreign judgments with the other member states of the GCC. Judgments obtained in the courts of a GCC member state shall be enforceable in the courts of any other GCC member state, provided that the conditions for enforcement in the treaty have been met.

Neither the Government nor any Government-owned entity is immune from suit in the civil court in Qatar in respect of its commercial activities. However, pursuant to the State Property Law, the State is immune from sequestration and execution by the civil court, unless waived by the Government in respect of its public and private assets invested in financial, commercial or



industrial activities or deposited in banks. The Bank will not enjoy such immunity under the State Property Law in respect of its assets.

## **FINANCIAL INFORMATION**

Unless otherwise indicated, the financial information set out in this Prospectus has been derived from:

- (i) the audited consolidated financial statements of QFB for the years ended on 31 December 2013, 2014 and 2015 (Financial Statements); and
- (ii) management information of the Bank.

The Financial Statements have been prepared in accordance with the FAS issued by the AAOIFI and the *Shari'ah* rules and principles as determined by the *Shari'ah* Supervisory Board. In line with requirements of AAOIFI, for matters that are not covered by FAS, the Group uses the guidance from the relevant IFRSs as issued by the IASB.

The Financial Statements have been prepared under the historical cost convention except for valuation of equity and real estate investments, both at fair value.

Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding adjustments.

The Financial Statements are presented in Qatari Riyal, which is the Bank's functional and presentation 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. Prior to 2015, the Bank presented its historical audited consolidated financial statements in U.S. Dollars.

The Qatari Riyal is, and since the 1980s has been, pegged to the U.S. Dollar at a fixed exchange rate of QAR 3.64 per USD 1.00 and, accordingly, translations of amounts from U.S. Dollars to Qatari Riyals have been made at this exchange rate for all periods in this Prospectus where relevant. However, please note that these rates may differ from the actual rates used in the preparation of some of the historical financial statements of the Bank and financial information derived from some of the historical financial statements that appear in this Prospectus.

No representation is made that any particular currency referred to in this Prospectus could have been converted into USD, QAR, GBP or AED, as the case may be, at any particular rate or at all.

### **Note on certain differences between FAS and IFRS**

This Prospectus includes Financial Statements and other financial information, including the discussion and analysis of the Bank's financial position and financial performance, prepared and presented in accordance with FAS. FAS and IFRS differ materially from each other. This Prospectus does not include any reconciliation to IFRS with respect to any financial statements included herein or any other financial information prepared and presented in accordance with FAS. Moreover, this Prospectus does not include any narrative description of the differences between FAS and IFRS, and we have made no attempt to identify or quantify the differences between FAS and IFRS that might be applicable to QFB or their respective Financial Statements or other financial information. It is possible that a reconciliation or other qualitative or quantitative

analysis would identify material differences between the Financial Statements included herein and other financial information prepared under FAS and IFRS. You should consult your own accounting advisers for an understanding of the differences between FAS and IFRS and how those differences might affect the Financial Statements and other financial information in this Prospectus.

## **MARKET AND INDUSTRY INFORMATION**

This Prospectus contains historical market data and industry forecasts which have been obtained from industry publications, market research, publicly available information or other sources considered to be generally reliable. Such information has not been independently verified, although the Bank and the Listing Advisor have reasonable belief that the information contained in this Prospectus is to be reliable. No representation is made regarding the accuracy, adequacy or completeness of such information.

## **FORWARD-LOOKING STATEMENTS**

This Prospectus contains forward-looking statements that are subject to risks and uncertainties, including statements about the beliefs and expectations of QFB's management. All statements other than statements of historical or current fact included in this Prospectus are forward-looking statements. Forward-looking statements express the current expectations and projections of the management of QFB relating to the position, results of operations, plans, objectives, future performance and business of QFB, as well as their expectations in relation to external conditions and events relating to QFB and their respective sectors, operations and future performance. Prospective Investors can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. The statements may include words such as "anticipate", "estimate", "believe", "project", "plan", "intend", "prospective" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events.

These forward-looking statements are based on assumptions that the management of QFB has made in light of its experience in the industries in which it operates, as well as its perceptions of historical trends, current positions, expected future developments and other factors which QFB's management believes are appropriate under the circumstances. As prospective Investors read and consider this Prospectus, they should understand that these statements are not guarantees of future performance or results. They involve risks, uncertainties (some of which are beyond the control of the management of QFB) and assumptions. Although the management of QFB believes that these forward-looking statements are based on reasonable assumptions, prospective Investors should be aware that many factors could affect QFB's actual financial position or financial performance and cause actual results to differ materially from those in the forward-looking statements. These factors include, among other things, those discussed under the "Risk Factors" section of this Prospectus.

Due to these factors, QFB's management cautions that prospective Investors should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time-to-time, and it is impossible to predict these events or how they may affect QFB and its business. Except as

required by the rules and regulations of the QFC and the QFCRA, the rules of the QFMA or the rules of the Qatar Exchange, the management of QFB has no duty to, and does not intend to, update or revise the forward-looking statements in this Prospectus after the date of the Prospectus.

## VALUATION METHODOLOGY

Estimating the value of a company is subjective and dependent on several factors such as the selected valuation approach, business plan, assumptions, financials forecasts, comparability of peers and management experience.

For valuing financial services firms, the Income Approach and the Market Approach, are commonly used as defined below.

- Income Approach: The DCF method applied considers the value of the Bank to be a function of its future expected cash flow in relation to the risk and timing of such cash flows. Consideration was given to CAR.
- Market Approach: The P/B multiple applied considers the value of the Bank based on trading multiples for listed peer companies in relation to its book value.

When assessing the value of the Bank, several sources were used, in particular, information provided by the Bank and public sources covering market data and industry information, in addition to certain financial assumptions. The Bank's management has provided financial information, explanation and guidance on the historical performance, business plans with underlying assumptions and financial forecasts, as well as industry specific parameters. The business plan for the Bank was prepared and provided separately. Key underlying assumptions of the business plan was based on management views. Information pertaining to the Bank's historical financial statements and business plans was analyzed to understand historic and future performance trends, in addition to carrying out an industry comparative analysis. Following proper assessment of the Bank's financial information and based on the various valuation approaches used, the value of the Bank was determined.

It is assumed that Investors in the Bank will perform their own analysis and appraisal of the Bank's value and should take into account that the daily trading price of the Shares following the Listing may be greater or lesser than the Guiding Trading Price and may or may not reflect the value of the Bank. There is no guarantee that trading will open, continue or persist at this price. Neither the QFMA nor the Qatar Exchange accept any liability or responsibility for any reliance by any third party on the Guiding Trading Price to make an investment decision in the Bank. Prior to making any investment decision, this Prospectus has to be read and understood in its entirety by the Investors, including the *Risk Factors* section and the *Capitalization* section of this Prospectus.

## SUMMARY

*The following information presents an overview of selected sections of this Prospectus and not a comprehensive summary. This section should, therefore, be read as an introduction to the more detailed information presented in this Prospectus. Any decision to invest in the Shares should be based on consideration of this Prospectus as a whole, including the information discussed in the Risk Factors section of this Prospectus, and not solely on this summarized information.*

### 1. OVERVIEW

Qatar First Bank L.L.C., formerly known as Qatar First Investment Bank L.L.C., is incorporated in the QFC and registered under license number 00091. The Bank is licensed by the QFCA and authorized by the QFCRA pursuant to an authorization dated 4 September 2008 and extended on 30 June 2010.

QFB was one of the first independent Shari'ah-compliant banks established in the QFC. The Bank operates from its Head Office located on Suhaim Bin Hamad Street which is part of a thriving financial and business district of Doha city. At the Head Office, QFB has a dedicated and exclusive lounge for its private banking clients.

The primary business activities of the Bank include Alternative Investments, Private Banking & Wealth Management, Corporate & Institutional Banking and Treasury & Investment Management products and services.

The issued and fully paid up share capital of the Bank stands at QAR 2,000,000,000 as of the date of this Prospectus. QFB has a strong ownership structure consisting of a diversified mix of over 1,500 Shareholders from Qatar and the wider GCC, including prominent individuals and institutional Investors.

The Bank's initial focus was driven by its legacy mandate to invest its capital by originating proprietary deals and co-investing with other institutions in private equity and real estate. Since the inception of its business operations in 2009, QFB built a strong track record by investing in several successful transactions across various geographies and sectors and realizing lucrative returns for its Shareholders.

Over the years, the Bank has evolved from an in-house investment focused bank to a client focused bank. In 2010, the Bank expanded its licensed activities to include full banking services. Underlying this initiative was a new strategic focus to maximize Shareholder value by penetrating into growth segments and offering the best-in-class banking services and investment opportunities in accordance with *Shari'ah* principles, as set by the *Shari'ah* Supervisory Board, to a select client base. The objective was to not only diversify sources of income but also strengthen capital deployment and returns.

The new strategy is well-aligned with the growth prospects for financial services, as Qatar ranks third amongst the top 15 countries globally in terms of the proportion of households with over USD 1.0 million in financial wealth, which fits with the Bank's target threshold for high net worth individuals (HNWI). Further, the GCC region accounts for the largest proportion of Islamic

financial assets, which are currently estimated at USD 1.7 - 2.1 trillion or about 1% of the global financial market and expected to grow to USD 3.4 trillion by the end of 2018<sup>1</sup>.

QFB is also well-positioned in the financial services sector which is well-supported by the Government and the Government's motivation to establish Qatar as a regional and international financial center. The overall outlook for Qatar's banking system has remained stable since 2010, according to Moody's update as of July 2015, reflecting the expectation that a high level of public spending will persist despite the impact of lower oil prices in recent years.

## **2. RISK FACTORS**

QFB believes that several risk factors could materially and adversely affect the business, financial position and operations of the Group and consequently the value of the Shares. Most of these factors are contingencies which may or may not occur and QFB is not in a position to express a view on the likelihood of any such contingency occurring. These risk factors can be broadly classified as:

- Risk factors relating to QFB's business;
- Risk factors relating to legal and regulatory compliance;
- Risk factors relating to the macroeconomic, social and political climate; and
- Risk factors relating to the Shares.

For more details, please refer to the *Risk Factors* section of this Prospectus.

## **3. BUSINESS SEGMENTS**

The Bank operates through four main business lines split in two main business segments: (i) Alternative Investments and (ii) Private Bank. These business segments are supported by various support functions to ensure their smooth execution.

In addition, the Bank has four Subsidiaries, three of which (Al Wasita, Isnad and Future Card) fall under the Alternative Investments business segment and the fourth one (Money Market Fund) falls under the Private Bank business segment.

### **3.1. Overview of Alternative Investments**

The Alternative Investments business segment comprises of private equity investments with a focus on acquiring large or significant stakes, with board representation, in well managed companies and assets that have well-established market positions and strong growth potential. The typical investment horizon is three to five years and the Bank targets investment opportunities in growth sectors such as healthcare, energy, consumer, finance, real estate, industrial & insurance in diversified geographical markets, including Qatar, the wider GCC/MENA region, the United Kingdom, Turkey and Africa.

As of 31 December 2015, QFB had a total of 13 private equity investments with a carrying value of QAR 1,408.9 million in addition to investments in three Subsidiaries.

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<sup>1</sup> Source: The Size of the Islamic Finance Market 27 Dec 2014 (<https://www.islamicfinance.com/2014/12/size-islamic-finance-market-vs-conventional-finance/>)

### 3.2. Overview of the Private Bank

In late 2013, the Bank commenced private and corporate banking activities by introducing product and service offerings related to:

- Private Banking and Wealth Management;
- Corporate and Institutional Banking; and
- Treasury and Investment Management.

The Bank targets HNWI through a wide array of services ranging from more traditional cash accounts, credit cards and deposits to more sophisticated, in-house and best in class third party funds. QFB also provides bespoke *Shari'ah* compliant solutions, financial advisory, brokerage, and treasury forex products. Further, the Bank provides wealth planning, art advisory, airplane and boat purchasing, real estate, legal and tax advisory, trust and foundation structuring services to its clients. In addition to servicing HNWI clients, the Bank caters to its growing corporate banking clients' diverse business needs by offering a range of *Shari'ah* compliant financing, trade finance and liability solutions including wakala, murabaha, ijara, istisna'a and other structures. The Bank also plans to offer co-investment opportunities in private equity to its clients by leveraging its strong track record in alternative investments.

## 4. SELECTED FINANCIAL INFORMATION

Total income for the Group (after deducting the income payable to the unrestricted investment account holders, i.e. the Bank's depositors) amounted to QAR 336.5 million in FY15 compared to QAR 439.5 million for FY14. The Alternative Investments business segment was a key contributor, accounting for over 90% of the Group's total income generated over the past three years. Net profit attributable to equity holders of the Bank amounted to QAR 66.0 million in FY15 compared to QAR 158.4 million in FY14.

Total assets have witnessed robust growth over the past three years (3Y CAGR 38.7%) to reach QAR 5,859.8 million as of the financial year ended 31 December 2015. The growth in assets was driven mainly by the Bank's new strategy of focusing on enhancing its private banking services to include deposit taking, providing financing facilities and investment in private equity. QFB attracted a significant volume of deposits from QAR 306.1 million in FY13 to over QAR 3,000.0 million in FY15, which provided a source of funding for financing assets. Excess liquidity after funding of financing assets was deployed in sukuk investments and interbank placements. The Group also reported total regulatory capital of QAR 2,085.4 million and CAR of 21.6% in FY15, well above the minimum regulatory threshold of 10.5%, indicating ample room for further growth of the balance sheet and a solid capital position.

Summary financial data are presented in the following table.

Amount (QAR million)	FY13	FY14	FY15
Total income from continuing operations	*641.2	439.5	336.5
Net profit from discontinued operations	-	0.4	9.7
Net profit**	140.7	158.4	66.0
Total assets	3,049.5	4,667.5	5,859.8
Total liabilities	836.5	2,456.4	3,759.8
Total equity**	2,162.4	2,159.2	2,046.1
Non-controlling interest	50.6	51.9	54.0
Assets of disposal group held-for-sale	-	-	538.8
Liabilities of disposal group held-for-sale	-	-	357.7
Risk weighted assets (RWA)	5,901.2	9,067.6	9,670.5
Gross non-performing financing assets (NPF)	-	-	75.5
Total regulatory capital (Tier 1)	2,179.2	2,176.7	2,085.4
Net cash flow used in operating activities	(269.3)	(1,412.0)	(370.4)
Net cash flow used in investing activities	(21.5)	(29.3)	(55.4)
Net cash flow from financing activities	630.9	1,518.1	1,129.6

Source: Audited consolidated financial statements of the Group

\*includes revenue contribution of QAR 204.4 million from two Subsidiaries (Al Wasita and Isnad). The revenue contribution from these two Subsidiaries was excluded in subsequent years due to reclassification

\*\*attributable to equity holders of the Bank

Key financial ratios for the Bank are shown in the table below.

Key financial ratios	FY13	FY14	FY15
Net profit margin (NPM)	3.8%	1.8%	1.1%
Cost to income ratio (CIR)	58.6%	51.9%	72.9%
Return on average assets (ROAA)	5.4%	4.1%	1.3%
Return on average equity (ROAE)	7.3%	7.3%	3.1%
Leverage (Tier 1 capital/adjusted assets)	72.3%	47.0%	35.7%
Capital Adequacy Ratio (CAR)	36.9%	24.0%	21.6%
Financing assets/ deposits	98.7%	45.2%	36.0%
RWA/ Total Assets	193.5%	194.3%	165.0%
NPL/ Gross financing assets	-	-	6.8%
Earnings per share (EPS)	0.82	0.79	0.33
Book value per share	10.8	10.8	10.2
Dividends per share (DPS)***	0.79	0.80	-

Source: Audited consolidated financial statements of the Group

\*\*\*Based on dividends approved and paid in the next financial year.

For details regarding the summary financial data and key financial ratios, please refer to the *Management Discussion & Analysis* section of the Prospectus.

## 5. COMPETITIVE STRENGTHS

QFB has several competitive strengths that not only support its strategic business positioning but also augurs well for future growth prospects. Key competitive strengths are:

- Well positioned to tap the growth potential of Shari’ah compliant financial products and services;
- Robust business model with focus on growth, profitability and diversification;
- Strategic focus on providing a unique experience for private banking customers;
- Stringent risk control and compliance and strong corporate governance;
- Highly experienced and dynamic management team; and
- Well-capitalized bank with strong ownership structure.

## **6. STRATEGY**

QFB’s business strategy related to its business lines is to:

- Build on the strong track record of its Alternative Investments legacy business and extend in-house expertise to its private banking clients (HNWI, corporate and institutions), by introducing a series of investment platforms, sector focused funds and co-investment opportunities.
- Continue to diversify the Bank’s Alternative Investments portfolio and focus on defensive sectors including healthcare and education, while expanding into new geographical markets regionally and internationally.
- Create a separate legal entity (QFB Capital) and act as an incumbent advisory business for the Bank’s existing and future investment portfolio.
- Provide a broad range of investment and corporate banking products to position the Bank as an “elite” Islamic financial services provider.
- Offer specialized financing solutions to corporates and HNWI in Qatar, the GCC and the broader region for sectors and applications currently underserved by regional banks.
- Enhance the treasury product offering and provide clients with investment opportunities in different asset classes, including fixed income and public equities, as well as risk management solutions.
- Continue to invest in human capital and maintaining valuable client relationships through a team of dedicated relationship and wealth managers.
- Develop synergies among different business functions by creating cross-selling opportunities for enhancing the overall banking experience of the client and increasing Shareholders’ value.

## **7. MANAGEMENT AND CORPORATE GOVERNANCE**

QFB’s principal decision making forum is the Board, which has responsibility for the overall strategic direction, supervision and control of QFB, through the review and approval of strategic policies and objectives.

The Board is currently made-up of 11 directors and consists of representatives of the Shareholders as well as experienced and prominent businessmen in Qatar. Members of the Board are appointed or elected for a period of three years and any appointee is subject to the stringent approved



individuals' qualification requirements of the QFCRA Regulations. Decisions of the Board are made by majority votes of those present (in person or by proxy) at the meeting. In the event of a split decision, the Chairman holds the casting vote.

The Chairman is Mr. Abdullah bin Fahad Ghorab Al Marri, who is also the founder of QFB. He has been appointed Chairman since the incorporation of the Bank. Mr. Al Marri is an advisor to the Amiri Diwan of Qatar. He is also currently a board member of INJAZ.

QFB has also established the *Shari'ah* Supervisory Board, which advises the Board and the Committees on all aspects of compliance with *Shari'ah* law and principles.

In addition, the day-to-day management of QFB is conducted by the Senior Executive Managers.

## **8. LISTING SHARES**

QFB is applying to list all of its Shares on the Qatar Exchange and will not, at the time of the Listing be offering for subscription or purchase any new shares.

The issued and paid-up share capital amounts to QAR 2,000,000,000 divided into 200,000,000 Shares with a par value of QAR 10.00 each. The Shares are transferrable, assignable and freely tradeable. There are no lock-in restrictions on any of the Shares.

Immediately following the Listing, the Pre-Listing Shareholders will hold the Shares in the same proportion as they did immediately prior to the Listing.

The Articles of Association limit the maximum shareholding of any Person to 25% of the Shares. The current main Shareholders are distributed widely in the GCC and include HNWI, government funds and private institutions.

There will be no capital raising or Share sell-down as part of the Listing.

## RISK FACTORS

*QFB believes that the following factors could materially and adversely affect its business, financial position and operations and consequently the value of the Shares. Most of these factors are contingencies which may or may not occur and QFB is not in a position to express a view on the likelihood of any such contingency occurring. The order in which the risks are presented reflect the priority that the Board places on those risks but does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on QFB.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Shares are described below.*

*QFB believes that the factors described below represent the principal risks inherent in investing in the Shares. Prospective Investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Prospective Investors should also consult their own financial and legal advisors about the risks associated with an investment in the Shares and the suitability of investing in the Shares in light of their particular circumstances, without relying on QFB or the matters that are disclosed in this Prospectus. Investors are advised to make, and will be deemed by QFB to have made, their own investigations in relation to such factors before making any investment decisions in relation to the Shares.*

*Additional risks and uncertainties not presently known to QFB or the Board, or that QFB currently deems immaterial, could materially and adversely affect the business, financial position and operations of the Bank and consequently the value of the Shares.*

### **1. RISK FACTORS RELATING TO QFB'S BUSINESS**

#### **1.1. Risks Relating to Private Equity Investments**

QFB has, since its incorporation, invested its own capital into a range of asset classes. These investments carry risk and, as such, there can be no guarantee that such investments will be profitable. Furthermore, the fair valuation of investments made by QFB may be affected by the different internal and external valuation models applied to such investments and the sensitivity of key inputs utilized in such models, which may result in positive or negative impact on QFB's balance sheet and ultimately affect its profitability in a certain financial year. Additionally, such investments may not be liquid and the ability of QFB to liquidate or exit such investments will be affected by market conditions and investment specific conditions, among other things. The untimely exit from investments, due to market conditions or QFB's liquidity requirements, may affect QFB's ability to achieve the profitability or return it anticipated at the time of entering into the said investment. If QFB is unable to sell or exit from an investment in a timely manner or in accordance with its exit strategy, this may have a material adverse effect on the business, financial position and operations of QFB.

QFB has also made investments in companies operating within and outside of Qatar in a number of different commercial sectors. There can be no assurance that the companies in which QFB has made a strategic investment will not resolve to do things or enter into transactions that are not in the best interests of QFB and which, ultimately, may have a material adverse effect on the business, financial position and operations of QFB.

## **1.2. Risks Relating to QFB's Historical Consolidated Financial and Operating Results as Indicators of Future Performance.**

QFB's historical consolidated financial and operational performance may not be indicative of QFB's future operating and financial performance. There can be no assurance of QFB's continued profitability in future periods.

## **1.3. Risks Relating to the Execution of a New Business Strategy**

QFB has recently changed its strategy from being investment focused, by investing its proprietary capital in alternative investments, to being client focused by offering a wide range of financial services to HNWI, corporate & institutional and government clients. QFB does not have a track record in managing commercial and private banking activities since the new business model has been implemented recently. Additionally, the success of the commercial and private banking activities may be subject to a number of factors that are out of QFB's control, including market conditions, profit rates, Government policies, regulatory changes and other factors that may affect the deposit or financing market. There is no guarantee that QFB will be able to achieve its growth objectives for its financing portfolio or diversified asset base or that QFB's new strategy may increase the profitability of the Bank. Implementing this new strategy might have sequential cost implications which may negatively impact QFB's profitability.

Commercial and private banking activities are subject to a number of risk factors that may not have existed when QFB was investing its own capital under its legacy business model, which may affect the profitability of QFB or QFB's ability to manage such risks. If QFB is not able to successfully manage commercial and private banking activities and/or the risks associated with the same, or if commercial and private banking activities are not profitable, this may have a material adverse effect on the business, financial position and operations of QFB.

## **1.4. Risks Relating to High Level of Competition**

QFB faces high levels of competition in the banking sector in Qatar with respect to all of its products and services. QFB primarily competes with other Islamic banks in Qatar. However, the management of QFB also considers other domestic and international banks operating in Qatar as competitors in a number of different business lines. As at 31 December 2014, there were a total of 18 banks, three finance companies and two investment companies registered with the QCB as well as 57 financial institutions licensed by the QFCA and authorized by the QFCRA. Increasingly, more international banks may commence business through the QFC, which would allow them to compete with QFB. Increasing competition coupled with current low liquidity levels in the market represent a challenge to QFB in attracting deposits at competitive profit rates which, in turn, increases cost of funds. The competitive nature of the Qatari market and QFB's potential inability to continue to compete successfully may adversely impact QFB's business, financial position and operations.

## **1.5. Liquidity Risks**

Liquidity risk is the risk that QFB will be unable to meet its obligations, including funding commitments as they fall due, and repayment of liabilities including deposits. This risk is inherent in banking operations and can be heightened by a number of enterprise specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide

phenomena such as market dislocation and major disasters. The GCC region has been experiencing a reduction in liquidity and term-funding in the aftermath of a sharp decline in oil prices since mid-2014.

Perception of counterparty risk between banks has also increased significantly, which has led to reductions of certain traditional sources of liquidity, such as the debt markets, asset sales and redemption of investments. QFB's access to these traditional sources of liquidity may be restricted or available only at a higher cost.

Uncertainty or volatility in the equity and debt capital markets may limit QFB's ability to refinance maturing liabilities with longer-dated maturities without increasing the cost of such funding. Also, the Bank may be limited in growing its financing assets. The availability of any additional financing that QFB may need will depend on a variety of factors, such as (i) market conditions, (ii) availability of credit generally and to the financial services industry specifically, and (iii) QFB's financial position.

QFB has not historically relied on corporate deposits to meet its funding needs. As part of QFB's new strategy, the Bank began taking deposits from HNWI, corporate & institutional and government. Such deposits are subject to fluctuation due to certain factors outside of QFB's control, such as a possible loss of confidence and increased competitive pressures, which could result in a significant outflow of deposits within a short period of time.

QFB is well capitalized and it has used its capital to finance its principal investments thus far. As QFB implements its strategy of transforming QFB from an investment bank to a bank that offers full-services, such changes will require substantial investment and QFB may need to seek other sources of funding to meet its on-going and future funding requirements. No assurance can be made at this time that QFB will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. If QFB is unable to seek alternative funding, QFB's implementation of its strategy could be negatively affected.

## **1.6. Credit Risks**

Credit risk is the risk that QFB will incur a loss of principal and/or profit earned on profit bearing assets in the event customers, clients or counterparties fail to discharge their contractual obligations (and that any collateral securing those obligations is insufficient).

Credit risks arising from adverse changes in the credit quality and recoverability of financing assets, securities and amounts due from customers and counterparties are inherent in a wide range of QFB's businesses, principally in its financing and investment activities. Credit risks could also increase as a result of a general deterioration in local or global economic conditions, or from systemic risks within the financial system, each of which could affect the recoverability and value of QFB's assets and require an increase in QFB's provisions for the impairment of financing assets, securities and other credit exposures. Moreover, QFB is continuously changing the nature of its investment or the financing it extends based on the economic climate and the condition of financial markets, leading to fluctuations in the Bank's exposure to risks related to such investments or financing.

Further, concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or industry 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 of credit risk indicate the relative sensitivity of QFB's performance to developments affecting a particular industry or geographical location. See the concentration risks described in "*Risk Factors - Geographic Concentration of the Financing Portfolio and Deposits*".

The Bank does not, and is not required under the QFCRA Regulations to, recognize or report general provisions for future losses to cover bad and doubtful debts and impaired investments. QFB's portfolio and credit exposures are managed in accordance with the relevant credit policy and customer financing classifications set by the QFCRA. QFB's allowance for losses on financing is based on, among other things, its analysis of current and historical delinquency rates and financing management and the valuation of the underlying assets, as well as numerous other management assumptions. These analyses and assumptions may nonetheless change over time and give rise to inaccurate predictions of credit performance in the current economic environment which, in turn, would have an adverse effect, that may be material, on QFB's business, financial position, financial performance and prospects.

QFB's failure to maintain the credit quality of its financing assets through effective risk management policies, while maintaining growth in its financing portfolio may lead to higher financing loss provisioning and higher levels of defaults and write-offs which, in turn, may have an adverse effect on QFB's business, financial position, financial performance and prospects.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, QFB may rely on information furnished to it by or on behalf of customers and counterparties, including financial statements and other financial information. QFB may also rely on certain representations as to the accuracy and completeness of that information and, with respect to financial statements, on reports by independent auditors. In circumstances where QFB is supplied with information as to the credit condition of its customers which is inaccurate, materially misleading or incomplete, this may have an impact on the ability of QFB to effectively manage its credit risk, which in turn may have an adverse effect, that may be material, on the Group's business, financial position, financial performance and prospects.

#### **1.7. Risks Relating to the Collateral Securing Financing and Advances**

55.4% of QFB's financing portfolio was covered by collateral and the top ten customers underlying the financing assets represented 73.6% of QFB's total financing assets with two customers representing 36.7% of the total financing assets as of December 2015.

QFB may have difficulty realizing on collateral or enforcing guarantees when debtors default, and the time and costs associated with enforcing security and collateral in Qatar (or elsewhere in the GCC depending on the location of collateral) may make it uneconomical for QFB to pursue such proceedings, adversely affecting the Bank's ability to recover its financing losses. If the Bank seeks to realize on any such collateral, it may be difficult to find a buyer and/or the collateral may be sold for significantly less than its appraised or actual value. QFB might not be able to realize adequate proceeds from collateral disposals to cover financing losses, which may have an adverse effect, which may be material, on QFB's business, financial position, financial performance and prospects.

Furthermore, all collateral is valued at the time of contracting with counterparties. The QFCRA does not require periodic valuation of collateral. Therefore, the value of collateral may be materially different at the time of disposal. If the value of a collateral covering a financing asset

has decreased at the time of disposal, QFB might not be able to realize adequate proceeds from collateral disposals to cover financing losses, which would have an adverse effect, which may be material, on QFB's business, financial position, financial performance and prospects.

### **1.8. Market Risks**

QFB's financial position and performance could be affected by market risks that are outside QFB's control, including, without limitation, volatility in profit rates, prices of securities and currency exchange rates. Fluctuations in profit rates could adversely affect QFB's operations and financial position in a number of different ways. An increase in profit rates generally may raise QFB's funding costs. Such an increase could also generally decrease the value of fixed rate installment securities in QFB's securities portfolio. Volatility in profit rates may result in a re-pricing gap between QFB's profit-rate sensitive assets and liabilities. As a result, QFB may incur additional costs. Profit rates are sensitive to many factors beyond QFB's control, including the policies of central banks, such as the QCB and the U.S. Federal Reserve, political factors and domestic and international economic conditions. Ultimately, there can be no assurance that QFB will be able to protect itself from any adverse effects of future profit rate fluctuations which could have a material adverse effect on QFB's financial position and financial performance.

QFB's financial position and financial performance may also be affected by changes in the market value of QFB's securities portfolio. QFB's income from securities operations depends on numerous factors beyond its control, such as overall market trading activity, profit rate levels, fluctuations in currency exchange rates and general market volatility. Although QFB has risk management processes that review and monitor the market risk aspects of investment proposals and investment portfolios, including overall structure and investment limits, market price fluctuations may still adversely affect the value of QFB's securities portfolio. See *"Risk Management – Market Risk Management"*.

Moreover, market volatility and illiquidity have made it difficult to value certain investment exposures. Valuations in future periods, reflecting then-prevailing market conditions, may result in significant changes in the fair values of QFB's exposure. In addition, the value ultimately realized by QFB may be materially different from the current or estimated fair value. Any of these factors could require QFB to recognize valuation losses or realize impairment charges, any of which may adversely affect its business, financial position, operations, liquidity and/or prospects.

### **1.9. Risks Relating to Clearing System**

The Bank is not currently part of the QCB's clearing system and relies on other local banks licensed by the QCB in Qatar to undertake its clearing activities.

The Bank is exposed to the counterparty risk of such banks in Qatar. The default of such banks may impact the Bank's ability to meet its obligations to its depositors. Additionally, reliance on other banks to access the clearing system may subject QFB to the operational risks of those banks. Operational risk and associated losses can result from fraud (external or internal), errors by employees, failure to obtain proper authorization (including the risk that its employees may not adhere to compliance procedures and risk management thresholds), failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems of such clearing banks. Furthermore, QFB may have challenges being competitive while relying on third party clearing systems because it may limit

QFB's ability to offer a full range of products and services. It may also limit QFB's access to new customers who are likely to perceive a higher degree of risk in the current model. It may impact QFB's ability to provide services at the level it desires as it is limited by the level of service at the clearing bank. The foregoing may have an adverse effect which may be material on the operations of the Bank, its cost of funding, its depositors' money and the liquidity of the Bank.

#### **1.10. Risks Relating to an Asset-Liability Mismatch**

QFB is exposed to the risk that a substantial portion of its deposits is withdrawn or not renewed, which could result in a mismatch in the maturity profile of QFB's assets and liabilities. This mismatch could be exacerbated if there are delays in financing payments and in attracting new deposits. Any such event could be due to global or local conditions, competition, a reduction in confidence in QFB, changes in regulation or other factors, many of which are outside of QFB's control and are unpredictable. If any of these events were to occur, QFB would need to seek sources of funding that may be more expensive to meet its funding requirements, and no assurance can be made that QFB will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. QFB's inability to refinance or to replace such deposits with alternative funding would adversely affect QFB's liquidity, business, financial position, financial performance and prospects.

#### **1.11. Risks Relating to Funding Concentration**

QFB's key source of funding is term deposits made up mostly its corporate clients and some HNWI. QFB does not have diversified sources of funds. Additionally, due to QFCRA authorized firms not having access to the QCB clearing system, QFB is restricted in its ability to open current accounts. Current accounts are a cheaper source of funding and an easier source to generate. The QCB is in the process of allowing QFCRA authorized firms to access its clearing system but there is no guarantee that the foregoing will happen nor confirmation of when it will happen. Therefore, if large amounts of deposits are withdrawn or if the level of new deposits drops below QFB's expectations, QFB may have to source funds from different sources which may be more expensive for QFB and may have a material effect on QFB's business, financial position, financial performance and prospects.

#### **1.12. Risks relating to Geographic Concentration of the Financing Portfolio and Deposits**

Given the nature of the business environment in Qatar and other jurisdictions in which QFB operates, QFB's financing portfolios and deposits are concentrated in terms of geography, customer segment and currency.

Geographically, QFB's consolidated financing portfolio and consolidated deposits are concentrated in Qatar. Accordingly, any deterioration in general economic conditions in Qatar or any failure by QFB to effectively manage its geographic risk concentrations would have an adverse effect, which may be material, on its business, financial position, financial performance and prospects. See *Risk Factors - Risk Factors Relating to Macroeconomic, Social and Political Climate* section of this Prospectus.



### **1.13. Risks Relating to Sector Concentration of the Financing Portfolio**

QFB's finance portfolio is concentrated in the real estate and construction sectors. Accordingly, and based on the economic cyclicality, a downturn in those sectors would have an adverse effect, that may be material, on the business, financial position, financial performance and prospects of QFB.

### **1.14. Risks Relating to Client Concentration of Deposit and Financing**

A limited number of corporate clients make up a substantial part of QFB's deposit portfolio.

The top ten customers underlying the financing assets represented 73.6% of QFB's total financing assets with two customers representing 36.7% of the total financing assets as of December 2015. A material weakening in the credit quality of, or a default by, one or more of QFB's large Islamic financing customers could result in QFB making significant additional Islamic financing loss provisions and experiencing reduced net income. Similarly, the withdrawal or non-renewal of its deposits by any one or more of QFB's material customers could require QFB to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive. Either of such eventualities would have an adverse effect, that may be material, on QFB's business, financial position, financial performance and prospects.

### **1.15. Risks Relating to Limited Currency Exposure**

QFB's investment and financing portfolios are concentrated in Qatari Riyals, UAE Dirhams, U.S. Dollars, British Pounds and Turkish Lira. Any significant market movements contrary to the currency position of QFB may cause volatility in the value of these investments and portfolios which in turn may have an adverse effect, which may be material, on the Group's business, financial position, financial performance and prospects.

### **1.16. Risks Relating to Leverage and Capital Raising**

Important factors contributing to banks becoming over-leveraged can include a low cost of funding, over-reliance on the analysis provided by rating agencies and the failure of risk management systems to adequately identify the correlation of risks and product and service pricing based on the relevant risks. If QFB becomes over-leveraged as a result of the above or any other reason, it may be unable to satisfy its obligations in times of financial stress, and such failure may have an adverse effect on QFB's business, financial position, financial performance and prospects.

Any reduction in QFB's assets in excess of its liabilities may have an impact on QFB's financing position and may increase the cost of funding from counterparties in addition to potentially causing credit rating downgrades. QFB may then become unable to meet its financial obligations, and such potential failure may have an adverse effect on QFB's business, financial position, financial performance and prospects.

In order to fund its growth strategy and enter into new business segments, QFB will be required to expand its base of operations while continuing to meet regulatory capital adequacy requirements. QFB may seek leverage for its Alternative Investments business segment, while seeking wholesale funding for its banking business to diversify the sources of funding. If QFB requires additional capital in the future, there can be no assurance that it will be able to obtain this capital on favorable



terms, in a timely manner or at all. Moreover, should the Bank's capital ratios fall close to regulatory minimum levels or its own internal minimum levels, QFB may need to adjust its business practices, including reducing the risk and de-leveraging certain activities. If QFB is unable to maintain satisfactory capital adequacy ratios, its credit worthiness may be affected and its cost of funding may therefore increase. Any of these factors may have an adverse effect on the Bank's business, financial position, financial performance and prospects.

#### **1.17. Risks Relating to Lack of Credit Rating**

QFB does not currently have a credit rating. As a consequence, QFB may be limited in its ability to raise capital from the public and private markets and its financing costs may be significantly higher than those of its competitors who do have a credit rating. A comparatively higher cost of financing may have a material adverse effect on QFB's business, financial performance and financial position as well as its ability to compete.

#### **1.18. Risks Relating to Counterparties**

Against the backdrop of constraints on liquidity and high cost of funds in the interbank lending market and given the high level of interdependence between financial institutions that became increasingly evident recently, QFB, like other financial institutions, is subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial services institutions (also referred to as systematic risk). Within the financial services industry, the default of any one institution could lead to defaults by other institutions. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by QFB or by other institutions. This risk may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with whom QFB interacts on a daily basis. This risk could have a material adverse effect on QFB's ability to raise new funding and on its business, financial position, financial performance, liquidity and/or prospects.

#### **1.19. Risks Relating to Government and Shareholder Support**

No guarantee (implicit or explicit) is or will be given in relation to the financial obligations of QFB by the Government, the Shareholders or any other person. Further, there can be no assurance that Government support will be available to QFB in the event of any future crisis or economic disruption in the Qatari banking sector.

If QFB does not receive adequate financial support from the Government in any future crisis and alternative sources of funding are not available if required, this would have an adverse effect, which may be material, on QFB's business, financial position, financial performance and prospects.

#### **1.20. Risks Relating to QFB's Reputation**

A reputation for financial strength and integrity is critical to QFB's ability to attract and maintain customers and facilitate strong relationships with its business counterparties. QFB's reputation could be damaged in the future by various factors, including, without limitation, a decline in, or a

restatement of, or other corrections to, its financial results, adverse legal or regulatory action or employee misconduct causing QFB to breach applicable legal and/or regulatory requirements. The loss of business that could result from damage to QFB's reputation and perception could affect its financial position, financial performance and prospects.

#### **1.21. Risks Relating to Key Employees**

QFB's future success and growth depends to a substantial degree on its ability to hire, retain and motivate its Senior Executive Management and other key personnel. QFB's success depends particularly on the efforts, skill, reputation and experience of its Senior Executive Management, as well as synergies among their diverse fields of expertise and knowledge. The failure to hire the right persons for its new areas of growth and/or loss of key personnel could delay or prevent QFB from implementing its strategies, thus impacting the profitability and prospects of the Bank.

#### **1.22. Risks Relating to Lack of Experience in Managing a Publicly Listed Company**

Since its incorporation, QFB has operated as a private company and, accordingly, the Senior Executive Management has limited or no experience in managing a publicly listed company whose shares are admitted to trading on the Qatar Exchange. Similarly, some members of Senior Executive Management have no experience of the day-to-day requirements of having to comply with the ongoing obligations of the laws and regulations pertaining to public companies listed in Qatar. The regulatory oversight and reporting obligations imposed on public companies whose shares are traded on the Qatar Exchange will require substantial attention from the Senior Executive Management and any failure to comply with the ongoing obligations of the laws and regulations and rules pertaining to public companies in Qatar could expose QFB to fines, public censure, a suspension from trading or a cancellation of trading in the Shares on the Qatar Exchange which would have an adverse effect, that may be material, on QFB's business, financial position, financial performance and prospects.

#### **1.23. Risks Relating to Shari'ah Compliance**

Shari'ah compliance risks can arise from QFB's failure to comply with the principles and rules of *Shari'ah* as adopted by its *Shari'ah* Supervisory Board. The consequence of such actions may result in the incurrence of costs relating to implementing "corrective" actions. The effect of such actions may lead to reputational risks which, in turn, may have a material adverse effect on QFB's prospects and results of operations.

Furthermore, QFB currently offers a range of Islamic finance products. All of these products are reviewed and approved by the *Shari'ah* Supervisory Board. In doing so, each member of the *Shari'ah* Supervisory Board must employ their interpretative efforts in accordance with the methodological rules and principles of Islamic jurisprudence. While various Islamic schools of thought agree on the general methodology and the basic principles of interpretation, they may disagree on particular rules.

If any issues are called into question relating to the extent of *Shari'ah* compliance of Board-approved products offered by QFB, QFB's reputation would be negatively affected which may in turn have an adverse effect, which may be material, on QFB's business, financial position, financial performance and prospects.

#### **1.24. Operational Risk**

Operational risk and associated losses can result from fraud (external or internal), errors by employees, failure to document transactions properly in accordance with QFB's standardized documentation (or a failure to take appropriate legal advice in relation to non-standard documentation, as required by QFB internal policies) or to obtain proper internal authorization (including the risk that its employees may not adhere to its compliance procedures and risk management thresholds), failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of QFB's counterparties or vendors), failure to implement adequate internal procedures and controls, failure to comply with internal processes and procedures. The occurrence of any such event could have an adverse effect, which may be material, on QFB's business, financial position, financial performance and prospects.

#### **1.25. Risks Relating to Information Technology**

QFB depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of QFB's business and operating data. The proper functioning of QFB's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its business units and main data processing centers, are critical to QFB's business and ability to compete effectively. QFB's business activities would be materially disrupted in the event of a partial or complete failure of any of the information technology systems or communications networks. Such failures can be caused by a variety of factors, including natural disasters, extended power outages, computer viruses, hacking or theft. The proper functioning of QFB's information technology systems also depends on accurate and reliable data and other system input, which are subject to human errors. Any failure or delay in recording or processing QFB's transaction data could subject it to claims for losses and regulatory fines and penalties. QFB has implemented and tested detailed business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any such failure may have a material adverse effect on the Bank's business, financial position and financial performance.

#### **1.26. Risks Relating to Risk Management Policies**

There can be no assurance that QFB's risk management strategies and internal controls that are designed to identify, monitor and manage QFB's risk will always be successful in every circumstance and that they will identify every risk which QFB may face. Failures in risk management may leave QFB exposed to unidentified or unanticipated risks. Even where risks are identified, there can be no assurance that QFB's risk management and internal control policies and procedures will always adequately control, or protect the Bank against, such risks, including credit, liquidity, market and other risks. In addition, certain risks may not be accurately quantified by QFB's risk management systems. Any material deficiency in QFB's risk management or other internal control policies or procedures, or any failure by staff or management to follow such policies or procedures, may expose it to significant credit, liquidity, market or operational risk, which, if material, may have an adverse effect on QFB's business, financial position, financial performance and prospects.

### **1.27. Risks Relating to Insurance Coverage**

Insurance may not cover all the risks to which QFB may be exposed. If an event occurs for which insurance is held by QFB, such insurance may not adequately compensate QFB for the actual losses suffered by it. In addition, there can be no assurance that QFB's insurance policies, once obtained, will continue to be available on commercially reasonable terms, or at all. Moreover, QFB's insurance policies are all Shari'ah compliant, which may prevent QFB from receiving full coverage, as would be received under a standard policy covering the same risks. Each of these events or circumstances, or the occurrence of an event for which QFB is not insured, would have an adverse effect, which may be material, on QFB's business, financial position, financial performance and prospects.

## **2. RISKS FACTORS RELATING TO LEGAL AND REGULATORY COMPLIANCE**

### **2.1. Risks Relating to Relatively Less Stringent Regulatory Requirements under the QFCRA Compared to the QCB**

QFB is regulated by the QFCRA, which has a regulatory regime and environment that is independent from that of the QCB. The QFCRA's regime is based on best practice in the financial industry and on a principal based governance. This means that the QFCRA regulatory requirements may be relatively less stringent than those of the QCB.

The QFCRA requires authorized firms undertaking banking activities to maintain a capital adequacy ratio (the percentage of a bank's capital to its risk) of 10.5% which compares to the 12.5% CAR required by the QCB. This means that QFB is held to a lower capital adequacy ratio than other banks which are regulated by the QCB.

QFB is regulated by the QFCRA, which has a regulatory regime and environment that is independent from that of the QCB. The QFCRA's regime is based on best practice in the financial industry and on a principal based governance. However, the QFCRA regulatory requirements may be relatively less stringent than those of the QCB.

Areas where QFCRA is less stringent include but are not limited to the following: (i) The QFCRA requires authorized firms undertaking banking activities to maintain a capital adequacy ratio (the percentage of a bank's capital to its risk) of 10.5% which compares to the 12.5% CAR required by the QCB. This means that QFB is held to a lower capital adequacy ratio than other banks which are regulated by the QCB; (ii) The QFCRA Regulations do not require to create specific equity reserves such as legal reserve that may not be distributed as dividends. However, once created, they cannot be reduced without the written approval of the QFCRA; (iii) The QFCRA regulated banks, including QFB, are not required to maintain a mandatory reserve of cash as a fraction of customer deposits; (iv) The QFCRA does not require QFB to maintain a reserve on any distribution it receives from its affiliated companies; (v) The QFCRA does not require investment risk reserve and profit equalization reserve for investment account holders' deposits; (vi) The QFCRA does not specify the appropriate interval for periodic re-valuation of collateral held by regulated banks; and (vii) The QFCRA is lenient on the level of collective provisioning to absorb credit losses as long as provision level is sufficient to absorb the estimated and incurred credit losses.

Therefore, in the event of an economic downturn, political turmoil or any other event that may affect the value of QFB's assets or its ability to attract deposits, increases its risk exposure or causes it to have losses, QFB may not have a sufficient cushion to absorb such losses. This, in turn, may

have a material adverse effect on QFB's business, financial position, financial performance and prospects.

## **2.2. Risks Relating to Implementation of New Regulatory Initiatives**

The Bank may from time to time be required to implement new regulatory rules and comply with new regulatory initiatives and reforms as a financial institution (including the IBANK and the phased and gradual implementation of Basel III) or as a publicly listed company. The implementation of the foregoing may affect the financial position and performance of the Bank, which in turn may have a material adverse effect on the profitability of QFB.

## **2.3. Risks Relating to Merger of Regulators**

There have been several discussions that the Government may merge the financial regulators (namely QCB, QFCRA and QFMA) into one regulator. There is no clarity as to when or how this merger will take place or whether QFB will be subject to a different set of rules that may increase the cost of compliance or affect its liquidity or profitability. This may, in turn, have a material adverse effect on its financial position, performance and prospects.

## **2.4. Risks Relating to No Principle of Binding Precedent in Qatari Courts**

Although the QFC has its own independent court system, the jurisdiction of the QFC courts is limited: Qatari courts will have jurisdiction over a dispute between a QFC-based party and a party based in Qatar (but outside of the QFC), unless the parties opt to resolve their dispute in the QFC courts. There is no doctrine of binding precedent in the Qatari courts and reports of the decisions of the Qatari courts are not always published. As a result, any experience with, and knowledge of, prior rulings of the Qatari courts may not be a reliable basis from which to predict decisions that Qatari courts may adopt in the future. The outcome of any legal disputes remains uncertain. It may have a material impact on its financial position, performance and prospects.

## **2.5. Compliance Risks**

QFB's ability to comply with all applicable legal restrictions and QFCRA Regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. QFB cannot ensure that these systems and procedures are fully effective. QFB is subject to extensive oversight by regulatory authorities, including regular examination activity. In the case of actual or alleged non-compliance with regulations, QFB could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these could have a material adverse effect on QFB's business, financial performance and financial position. Notwithstanding anything herein, this risk factor should not be taken as implying that QFB will be unable to comply with future regulatory requirements.

### **3. RISK FACTORS RELATING TO MACROECONOMIC, SOCIAL AND POLITICAL CLIMATE**

#### **3.1. Risk Factors Relating to Qatar**

The economy of Qatar is dependent on oil, gas and related industries, as well as the prices and quantities of these commodities. The prices for both oil and gas and related products have experienced significant volatility recently and reached record low prices in early 2016. Natural gas income continues to play a pivotal role in Qatar's economic planning and development. Consequently, any sustained downturn in oil and gas prices could substantially slow down or disrupt Qatar's economy, and the banking sector in particular, which would in turn have a negative impact on QFB and the market price of the Shares.

Following an increase in the interest rate on borrowing imposed by the U.S. Federal Reserve in December 2015, certain GCC States (Saudi Arabia, Kuwait and Oman) have increased their interest rates. Qatar has not increased its interest rates. There is a risk that Qatar may increase interest rates which may have an effect on liquidity in the market, increase the cost of funding and slow down the economic cycle which in turn may have an adverse effect on QFB's business, financial position and prospects.

QFB's financial position and financial performance are dependent to a certain extent on Qatar's business, legal and economic environment. Qatar's economic growth is expected to moderate compared to the last few years, which may negatively impact QFB's financial position, financial performance and prospects.

Qatar's sovereign debt rating has been maintained at AA by S&P and Fitch. However, on 4 March 2016, Moody's placed Qatar's Aa2 government bond and issuer ratings on review (see Economy of Qatar section of this Prospectus). If Qatar's sovereign debt rating is downgraded, Qatar cost of funding may increase. This may also impact the liquidity in the market. Furthermore, it may slowdown the economic growth of Qatar due to potential lower Government spending. A sovereign rating downgrade may also have a negative effect on the value of securities held by QFB which in turn may have a negative impact on QFB's financial position, financial performance and prospects.

Inflation in Qatar increased from 2002 to 2008, at a CAGR of 9.2%. However, in 2009, Qatar experienced a lower annual inflation rate of 4.9%, in contrast to the inflation rate of 15.2% in 2008 and 13.6% in 2007. The lower inflation rate in 2009 reflected a decrease in housing and food costs and these conditions continued in 2010 with an inflation rate of 4.6%. Between 2011 and 2015 inflation increased steadily by an average of 2.5%. High rates of inflation or deflation could have a material adverse effect on QFB's financial position, financial performance and prospects.

#### **3.2. Risks Relating to GCC States and MENA Region**

Some of QFB's investments are situated in the MENA region. As has been widely reported, the MENA region as a whole has long been, and is currently, subject to a number of geopolitical and security risks.

Whilst QFB's home market in Qatar has remained relatively stable, and has experienced no material instances of unrest or political instability, there can be no assurance that developments elsewhere in the MENA region or other regions in which QFB maintains a presence or has

investments will not affect Qatar and/or QFB and its investments. Political instability, unrest, regional conflict or other negative developments in the MENA region, irrespective of whether they directly involve Qatar, could negatively affect the economic climate in Qatar and international investors' sentiments towards Qatar and the MENA region generally. Any of these risks could have a material and adverse effect on QFB, its business, financial position, financial performance and prospects. The potential effects on QFB of instability and other risks associated with particular countries in the MENA region are not limited to the extent of the QFB's presence in, or trade with counterparties in, such countries. Risks affecting the region or any part thereof may have a broader effect on other economies in the region and therefore on Qatar and/or QFB.

Furthermore, QFB has substantial investments in oil-driven economies including the UAE and Qatar. Despite recent efforts to diversify their economies, the economies of the GCC countries are driven primarily by oil, gas and related industries. A prolonged and material downturn in hydrocarbon demand and/or prices is likely to slow economic growth and may negatively affect the businesses of the entities in which QFB has an interest, which could result in reduced profits, cash flow and the value of QFB's investment portfolio.

Just like Qatar, there is also a risk of downgrading the rating of the sovereign debts of other GCC states for similar reasons which may, by extension, have a similar effect on QFB's business and financial position as the downgrading of Qatar's sovereign debt rating.

### **3.3. Risks Relating to Currency De-Pegging and Adoption of New Fixed or Floating Exchange Rates**

The primary exchange rate of relevance to QFB is the Qatari Riyal to the U.S. Dollar. The Qatari Riyal, as well as the currencies of most other countries in the GCC, are pegged to the U.S. Dollar at a fixed exchange rate. The peg to the U.S. Dollar has been maintained by most of the GCC States at the same rate for at least 30 years. However, there can be no assurance that the U.S. Dollar peg will be maintained going forward, or that the peg will be retained at its current rate. Any de-pegging of the Qatari Riyal or other GCC currencies from the U.S. Dollar, or adoption of a new fixed or floating exchange rates, could result in a significant fluctuation and revaluation of the Qatari Riyal relative to the U.S. Dollar and, by extension, to other GCC currencies pegged to the U.S. Dollar. The likelihood of QCB doing so and the timing of any such decision are outside of the control of QFB and are difficult to predict.

While the Qatari Riyal is currently pegged to the U.S. Dollar, it is not pegged to other major currencies such as the Euro, British Pound or Japanese Yen and thus fluctuates freely against these other currencies in line with prevailing foreign exchange rates. There can be no assurance that QFB's risk management policies and procedures related to management of currency fluctuations, including any fluctuations caused by any de-pegging or re-pegging, will prove successful at all times. De-pegging or re-pegging of the Qatari Riyal or other GCC currencies to the U.S. Dollar, as well as fluctuations against any other currency, could have a material adverse effect on the relative value of QFB's assets, the cost of its liabilities and QFB's business, financial position, financial performance and prospects.

### **3.4. Risks Relating to Emerging Markets**

Investing in securities involving emerging markets, such as Qatar, generally involves a higher degree of risk than investments in securities of issuers from developed countries. This higher



degree of risk includes, but is not limited to, higher volatility, limited liquidity and changes in the political environment. There can be no assurance that the market for securities bearing emerging market risk will not be affected negatively by events elsewhere, especially in emerging markets.

As a financial intermediary, QFB is exposed to foreign exchange rate risk especially in emerging markets. This risk includes the possibility that the value of a foreign currency asset or liability will change due to changes in currency exchange rates as well as the possibility that QFB may have to close out any long or short open position in a foreign currency at a loss, due to an adverse movement in exchange rates. QFB generally employs Shari'ah-compliant cross-currency forwards, options and swaps to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the QFCRA. However, where QFB is not so hedged, QFB is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect QFB against such risks.

Adverse movements in foreign exchange rates in the emerging markets may also negatively impact the revenues and financial position of QFB's depositors and customers, which in turn may impact QFB's deposit base and the quality of its exposures to certain customers.

High inflation could slow the rate of economic growth and consumer spending in emerging markets. A continuing deflationary environment in emerging markets could also impact QFB's profitability by increasing costs such as employee costs and affecting QFB's returns on its investments. High rates of inflation or deflation in emerging markets could have a material adverse effect on QFB's business growth and QFB's profitability.

QFB has made investments in different emerging countries, such as Turkey, the UAE, Qatar, Lebanon, Kuwait and Kenya. Turkey represents the largest exposure amongst all the geographies. Below are certain risk factors relating to the Turkish market.

### **Turkey**

Turkey is at the heart of a geopolitical conflict which may have a negative impact on the Turkish economy and currency, and in turn the value of QFB's investments and timing of exits, which may impact the Bank's profitability, financial position and prospects.

## **3.5. Risks Relating to Other Markets**

### **3.5.1. Risks Relating to the United Kingdom**

QFB has made a number of investments in the United Kingdom. There has been an ongoing debate in the United Kingdom with regards to whether the country should remain as a member of the European Union or exit. The Prime Minister of the United Kingdom has proposed a referendum to be conducted with eligible voters in the United Kingdom as to whether the country should remain in or exit the European Union. It is not clear whether there is sufficient support for exiting the European Union within the United Kingdom but, should the United Kingdom exit the European Union, this could result in a number of consequences for the regulatory, business and economic environment in the country. Such consequences could include slower growth, more difficult access to employees and weakening of the British Pound. If the United Kingdom resolves to exit the European Union and some or all of the foregoing consequences occur, this may have an adverse effect on the Bank's investments in the United Kingdom which may be material and which may impact the Bank's profitability, financial position and prospects.



#### **4. RISKS RELATING TO THE SHARES**

##### **4.1. Risks Relating to Lack of Prior Public Trading Market History**

Upon Listing, and due to the lack of prior public trading history of the Shares, there may be volatility in the price of the Shares. Accordingly, an investment in the Shares carries with it the risks associated with a newly listed company. There can be no assurance that an active market for the Shares will develop or, if developed, that such a market will be maintained after the Listing. Shareholders may not be able to sell the Shares on the Qatar Exchange at the Guiding Trading Price or higher due to a number of factors, including an absence of Investors at the Guiding Trading Price, variations in actual or anticipated operating results, changes in or failure to meet earnings estimates of securities analysts, market conditions in the financial sector, regulatory actions and general economic conditions.

##### **4.2. Risks Relating to Lack of Guarantee of Dividend Payments**

Subject to the Articles of Association and QFC Regulations, any decision to pay dividends to Shareholders and the amount of such dividends shall be at the discretion and the recommendation of the Board. The amount of dividend payments (if any) will vary from year-to-year and may be influenced by QFB's profitability, availability of distributable profits, regulatory requirements, capital expenditures, liquidity and other cash requirements, reserve requirements and plans for growth.

##### **4.3. Risks Relating to Claims of Secured Creditors**

Claims of secured creditors of QFB, to the extent that there are any, may have priority, with respect to the assets securing their debt, over the claims of Shareholders. In the event that any of QFB's secured debt becomes due or the relevant creditor thereunder institutes proceedings over the assets that secure the relevant debt, QFB's remaining assets after repayment of such secured debt may not be sufficient to repay all amounts owing in respect to the remaining stakeholders.

##### **4.4. Risks Relating to QFB's Board Members Having Conflicts of Interest**

A number of QFB's current Board members are also members of the board of directors at other companies and organizations some of which are so-called "family businesses". As a consequence, such Board members may have an interest in the success of not only QFB but also in the other companies and organizations in which they hold directorships. Whilst QFB has in place stringent rules regulating related party transactions and the disclosure of conflicts of interest in accordance with applicable laws, there can be no guarantee that such Board members will not act in the best interests of companies and organizations whose boards they sit on, to the detriment of QFB. This could adversely impact Shareholder relationships with the Board as well as the prospects of QFB. See "*Management & Corporate Governance*" section of this Prospectus.

## LISTING SHARES

The Bank	QFB is incorporated in the QFC and registered under QFC registration number 00091. The Bank is licensed by the QFCA and authorized by the QFCRA pursuant to an authorization dated 4 September 2008 and extended on 30 June 2010.
Shares	The entire issued and paid-up share capital amounts to QAR 2,000,000,000 divided into 200,000,000 Shares with a par value of QAR 10.00 each. The Shares are transferrable, assignable and freely tradeable. There are no lock-in restrictions on any of the Shares.
Listing	QFB is applying to list all of its Shares on the Qatar Exchange and will not, at the time of the Listing, be offering for subscription or purchase any new shares.
Offer Structure	Immediately following the listing, the Pre-Listing Shareholders will hold the Shares in the same proportion as they did immediately prior to the Listing.
Head Office	The Bank's head office is located in Qatar First Bank Building, 231 Suhaim Bin Hamad Street, Al Sadd, P.O. Box 28028, Doha, Qatar.
Financial year of the Bank	The financial year of the Bank is from 1 January to 31 December.
Listing Advisor	The Listing Advisor is Al Rayan Investment LLC.
Main Existing Shareholders	The Articles of Association limit the maximum shareholding of any Person to 25% of the Shares. The current main Shareholders are diversified across the GCC and include HNWI, government funds and private institutions.
Use of Proceeds	There will be no capital raising or Share sell-down as part of the Listing.
Dividend Policy	QFB may declare dividends upon the recommendation of its Board and with the approval of the Shareholders at the General Assembly in accordance with the Articles of Association. Please refer to the <i>Dividend Policy</i> section of this Prospectus for more details.
Voting Rights	Shareholders are entitled to attend and vote at the General Assembly on the basis of one vote for one Share held in accordance with the Articles of Association.
Risk Factors	For the discussion of certain factors which should be considered in evaluating an investment in the Shares, refer to the Risk Factors section of this Prospectus.

Trading of the Shares	Prior to the Listing there was no public market for the Shares. The Shares were traded over the counter. Application will be made for the Shares to be listed on the Qatar Exchange and trading in the Shares on the Qatar Exchange is expected to commence during the last week of April 2016.
Guiding Trading Price	QAR 15. This price is only for guidance. There is no guarantee that trading will open, continue or persist at this price.
Shares trading symbol on the Qatar Exchange	QFBQ.

## CAPITALIZATION

QFB was incorporated as a limited liability company, licensed by the QFCA, and authorized by the QFCRA on 4 September 2008 (and extended on 30 June 2010), under QFC number 00091 with a paid up capital of QAR 1,5 billion.

As of 31 December 2015, the Bank had an authorized share capital of QAR 2,500 million and a paid up capital of QAR 2,000 million. As of the same date, the total number of issued shares amounted to 200 million. The total shareholders' equity amounted to QAR 2,046.1 million. The total capitalization (excluding any long term debt related to the Bank and its Subsidiaries) after adjusting total shareholders' equity for non-controlling interests and intangible assets amounted to QAR 2,085.4 million.

QAR million	31 December 2015
Paid up capital	2,000.0
Fair value reserves	(22.2)
Retained earnings	68.3
<b>Total Shareholders' Equity</b>	<b>2,046.1</b>
Non-controlling interest	54.0
Intangible assets	(14.6)
<b>Total Capitalization (Tier 1)</b>	<b>2,085.4</b>
<b>Capital Adequacy Ratio</b>	<b>21.6%</b>

Source: Audited Consolidated Financial Statements of the Group

On 24 March 2014, the General Assembly resolved to increase the authorized share capital of the Bank from QAR 2,000,000,000 to QAR 2,500,000,000 by authorizing the Board to issue 50,000,000 new shares in the Bank. The Board has not yet issued the new shares and is currently contemplating the best method to allocate these new shares.

## **DIVIDEND POLICY**

Holders of the Shares will be entitled to receive dividends declared in respect of the subsequent financial years. The Bank intends to declare and distribute annual dividends with a view to maximizing Shareholder value commensurate with the ongoing capital requirements, capital expenditure and funding requirements of the Bank. Subject to the Articles of Association and applicable laws, any decision to pay dividends to Shareholders and the amount and form of such dividends will be upon the recommendation of the Board for approval by the General Assembly. The amount of any dividends may vary from year to year.

The Bank's ability to pay dividends is dependent on a number of factors, including, without limitation, the availability of distributable income, regulatory capital requirements, reserve requirements, capital expenditure plans, liquidity and other cash requirements in future periods (altogether, the Restricting Factors), and there is no assurance that the Bank will pay dividends, or the amount of such dividend, if paid. There are no arrangements in existence under which future dividends are to be waived or agreed to be waived, be it cash or in-kind.

On 28 March 2016, the General Assembly adopted certain amendments to the Articles of Association including an amendment allowing the Board to recommend to the General Assembly allocating not less than 5% and not more than 10% of QFB's net profit to a voluntary reserve to be used at the discretion of the Board for any business requirements.

## BUSINESS OF THE BANK

### 1. OVERVIEW

Qatar First Bank L.L.C., formerly known as Qatar First Investment Bank L.L.C. is incorporated in the QFC and registered under license number 00091. The Bank is licensed by the QFCA and authorized by the QFCRA pursuant to an authorization dated 4 September 2008 and extended on 30 June 2010.

QFB was one of the first independent *Shari'ah*-compliant banks in the QFC. It operates from its Head Office where it also has a dedicated and exclusive lounge for its private banking clients. The Head Office is located in an area which is part of a thriving financial and business district of Doha city. The Bank employs just over 100 staff and has four Subsidiaries.

The issued and fully paid up share capital of the Bank stands at QAR 2,000,000,000 as of the date of this Prospectus. QFB has a strong ownership structure consisting of a diversified mix of over 1,500 Shareholders from Qatar and the wider GCC, including prominent individuals and institutional Investors.

The Bank's initial focus was driven by its legacy mandate to invest its capital by originating proprietary deals in private equity and real estate. Since the inception of its business operations in 2009, QFB built a strong track record by investing in several successful transactions across various geographies and sectors and realizing lucrative returns for its Shareholders.

Over the years, the Bank has evolved from an in-house investment focused bank to a client focused bank. In 2010, the Bank expanded its licensed activities to include full banking services. Underlying this initiative was a new strategic focus to maximize Shareholder value by penetrating into growth segments and offering the best-in-class banking services and investment opportunities in accordance with *Shari'ah* principles, as set by *Shari'ah* Supervisory Board, to a select client base. The objective was to not only diversify sources of income but also strengthen capital deployment and returns.

The new business strategy was implemented in late 2013 with the Bank introducing new product and service offerings, investing in human capital and technology and changing the corporate identity from Qatar First Investment Bank to Qatar First Bank. To further effectuate its client focus, the Bank launched a new premium lounge in late 2015 in its Head Office. The lounge provides a unique and exclusive experience for the Bank's elite private clients, while offering access to attractive regional and international investment opportunities and banking services.

Currently, the Bank is entitled to provide a wide array of regulated services including:

- 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 collective investment funds.

With a highly experienced and dynamic management team steering the Bank towards its new strategic goals coupled with strong Shareholder support, QFB attracted a significant volume of deposits exceeding QAR 3,000.0 million as of year-end 2015. This culminated in balance sheet expansion with total assets growing at a 3Y CAGR of 38.7% to reach QAR 5,859.8 million as of the financial year ended 31 December 2015. The growth in assets was primarily driven by an increase in private equity, fixed income investments and financing assets. Financing assets nearly doubled in proportion over the last three years from 9.9% of total assets in 2013 to 18.9% in 2015 and exceeded QAR 1,000.0 million as of 2015.

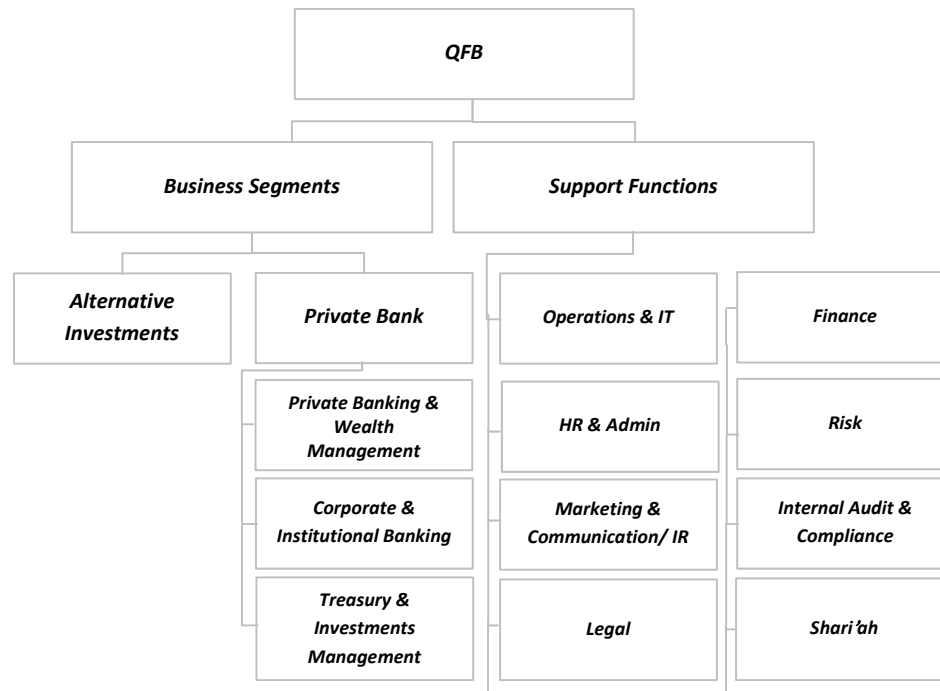
The growth in financing activities dovetailed with a surge in financing income, which emerged as an additional revenue stream growing at a 3Y CAGR of 103.2% and amounting to QAR 56.1 million in 2015. The Bank also benefitted from growth in investment income, albeit at a moderate level, and continued to develop its Private Bank business segment. This contributed to net profit of QAR 66.0 million attributable to equity holders of the Bank in 2015.

## **2. QFB BUSINESS AND STRATEGY**

The Bank operates through four main business lines split in two main business segments: Alternative Investments and Private Bank. The business segments are supported by various support functions to ensure their smooth execution.

In addition, the Bank has four operating Subsidiaries, three of which (Al Wasita, Isnad and Future Card) fall under the Alternative Investments business segment and are engaged in non-banking activities related to catering and manufacturing and the fourth Subsidiary (Money Market Fund) falls under the Private Bank business segment and provides means for short term investments for the Bank and its clients.

The chart below illustrates the business segments and support functions of QFB:



Source: QFB management

## 2.1. Alternative Investments

### 2.1.1. Alternative Investments' Overview

The Alternative Investments business segment primarily focuses on acquiring controlling or non-controlling interests, with board representation, in well managed companies and assets that have strong, established market positions and strong growth potential. To achieve this goal, the Bank seeks investment opportunities in growth sectors, such as healthcare, energy, consumer, finance, real estate, industrial & insurance, in diversified geographical markets. Private equity investments are made using special purpose vehicles in various jurisdictions around the globe for tax planning and corporate governance purposes.

This business segment is supported by more than 10 experienced investment professionals. QFB's management team works as partners with the management teams of the Investee Companies and Subsidiaries to unlock value through enhancing operational and financial performance in order to maximize returns for these companies and the Bank.

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 (excluding Subsidiaries) of QAR 1,408.9 million as of 31 December 2015. Management continues to seek and invest opportunistically in other markets to further diversify its geographical and sector exposure.



As of 31 December 2015, QFB had (1) a total of 13 Investee Companies in which it held a non-controlling interest and (2) three Subsidiaries in which QFB held a beneficial interest of greater than 50% and had significant control as set out below:

Name	Commercial Sector	Principal Place of Business	Date of Investment	Beneficial Ownership*
<b>Investee Companies</b>				
Cambridge Medical	Healthcare	UAE	Mar-15	15.6%
Food Services Company	Food & Beverages	Qatar	Dec-14	49.0%
Amanat Holdings	Healthcare & Education	GCC	Sep-14	5.0%
David Morris	Retail	UK	Jan-14	50.0%
Avivo Group	Healthcare	UAE	Dec-13	10.5%
English Home	Retail	Turkey	Nov-12	40.0%
Leinster Square	Real Estate	UK	Aug-12	40.5%
Lamu Oil & Gas	Energy	Kenya	Jul-12	50.0%
Westbourne House	Real Estate	UK	Jun-12	38.1%
Al Rifai International	Food & Beverages	Lebanon	Dec-11	35.3%
Kuwait Energy Company	Energy	Kuwait	Jun-11	2.2%
Memorial Healthcare	Healthcare	Turkey	Aug-10	20.0%
Al Jazeera Finance	Financial Services	Qatar	Aug-09	3.5%
<b>Subsidiaries</b>				
Al Wasita	Food & Beverages	UAE	Jul-12	85.0%
Isnad	Food & Beverages	Qatar	Jun-12	75.0%
Future Card	Industrials	UAE	Jul-09	71.3%

Source: QFB Management Accounts

\*as of 31 December 2015

In 2015, the Bank started negotiating with a non-group entity for acquisition of an equity stake through a capital increase in two of the Subsidiaries. However, this transaction may not materialize in 2016, as further discussed in the Recent Developments sub section of this section of the Prospectus.

In terms of sector exposure, the Alternative Investments portfolio has concentration in the healthcare and retail sectors as these industries are underpinned by strong fundamentals. Geographical market exposure spans across a range of emerging and developed markets in the MENA region, Europe, Asia and Africa with relatively higher concentration in the UAE, Turkey and the United Kingdom.

The tables below highlight the breakdown of the Investee Companies by sector and geography based on carrying amount of the investments as of 31 December 2015:

Investments by Sector	Exposure
Healthcare	43.9%
Retail	32.9%
Food & Beverages	11.3%
Energy	7.7%
Real Estate	2.3%
Financials	1.9%
<b>Total</b>	<b>100%</b>

Source: QFB Management Accounts

Investments by Geography	Exposure
Turkey	40.0%
UAE	20.7%
UK	18.4%
Qatar	7.0%
Lebanon	6.1%
Kuwait	5.5%
Kenya	2.2%
<b>Total</b>	<b>100.0%</b>

Source: QFB Management Accounts

In terms of the three Subsidiaries that fall under the Alternative Investments business segment, QFB's exposure is concentrated in the Food & Beverages sector in the UAE.

The Alternative Investments business segment is a key contributor accounting for over 90% of the QFB's consolidated total income over the last three years. Segment revenue is generated from non-banking operations of its Subsidiaries, dividend income received from the Investee Companies and capital gains realized upon exiting selected investments. For more details regarding the financial performance, please refer to the *Management and Discussion Analysis* section of the Prospectus.

Over the years, the Bank has successfully exited six investments and generated healthy returns to Shareholders over the investment period as shown in the table below:

Name	Commercial Sector	Principal Place of Business	Date of Investment	Ownership at the time of the Exit	Date of Exit	IRR
Al Noor Hospital	Healthcare	UAE	Apr-10	17.5%	Apr-15	49.0%
Nobles Consortium	Real Estate	UAE	Mar-09	50.0%	Jan-15	7.3%
Qcon	Energy / Construction	Qatar	Sep-09	40.0%	Mar-12	40.0%
QFB Head Office Building	Real Estate	Qatar	Aug-09	100%	Dec-10	38.9%
ENPI	Industrials	UAE	Jul-09	71.3%	Dec-12	28.0%
Watania Takaful	Financial Services	UAE	May-11	10.3%	Sep-14	3.1%

Source: QFB Management Accounts

In addition, the Bank also sold a convertible Murabaha in FY15 related to one of its Investee Companies.

For more details regarding the private equity investments and the Subsidiaries refer to the *General Information* section of this Prospectus.

### **2.1.2. Alternative Investments' Strategy**

The Bank's strategy for its Alternative Investments business segment is to:

- Build on the strong track record of Alternative Investments legacy business and extend in-house expertise to its private banking clients as well as institutional investors, by introducing a series of investment platforms, sector focused funds and co-investment opportunities;
- Continue to diversify the Bank's alternative investments portfolio and focus on healthcare, education and real estate sectors while expanding into new geographical markets regionally and internationally; and
- Create a separate legal entity (QFB Capital), which will act as an incumbent advisory business for the Bank's existing investment portfolio, as well as for new investments from QFB and third-parties. As an independent entity, QFB Capital will be able to operate according to international best practice and attract third party money from both private and institutional investors.

## **2.2. Private Bank**

This business segment focuses on three key areas:

- Private Banking and Wealth Management
- Corporate and Institutional Banking
- Treasury and Investment Management

### **2.2.1. Private Banking & Wealth Management Overview**

In late 2013, the Bank commenced private banking operations and focused on engaging QFB's client base with business and investment opportunities that arose from within QFB's own direct investments or from mandates arising from the Bank's corporate finance business line. QFB focused on GCC HNWI with such opportunities.

The Bank targets HNWI by providing a wide array of services ranging from more traditional cash accounts, credit cards and deposits services to sophisticated, in-house and best-in-class third party funds. With a dedicated team of experienced relationship managers, QFB is able to offer its clients bespoke *Shari'ah*-compliant private banking and wealth management services.

The Bank also provides wealth planning, art advisory, airplane and boat purchasing, real estate, legal and tax advisory, trust and foundation structuring services. QFB was a pioneer in offering the first Metal World Elite MasterCard Charge Card in the MENA region, a highly exclusive *Shari'ah*-compliant card providing high value benefits and rewards including travel benefits, lifestyle, concierge and insurance. Moreover, directly or through strategic internationally renowned and

specialized partners, QFB is able to extend its product and service offerings to include financial advisory, brokerage, funds, investments and treasury forex products.

In its promise to deliver excellence to its clients, the Bank opened a dedicated lounge for ensuring full privacy for its elite clients in late 2015. QFB is committed to build on its private banking foundation by continuing to invest in its team of relationship managers.

### **2.2.2. Corporate and Institutional Banking Overview**

QFB offers a range of *Shari'ah*-compliant financing, trade finance and liability solutions including wakala, murabaha, ijara, istisna'a and other structures to cater to its growing corporate banking clients' diverse business needs. The Bank's corporate and institutional banking activities cover various economic sectors like trading, manufacturing, retail, real estate, contracting.

QFB places strategic importance on its corporate and institutional banking business and provides specialized financing solutions to local and international clients encompassing prominent businesses as well as government and public sector entities. In 2015, QFB's corporate and institutional banking business had a financing book of QAR 969.0 million (Group's total QAR 1,409 million) and a deposit book of QAR 2,884.0 million (Group's total QAR 3,077). In addition, the bank is growing its trade finance book.

In order to provide existing clients and prospects with "Best in Class Service", the Bank has embarked on new initiatives with regards to product development and service improvement. The product range is being enhanced so that all the corporate banking needs of clients (off the shelf and bespoke) can be serviced under one umbrella to provide top quality solutions and service standards to clients without compromising on *Shari'ah* principles and standards.

### **2.2.3. Treasury and Investment Management Overview**

The Treasury and Investment Management team actively manages the Bank's liquidity position through interbank placements in local and foreign money markets. Any short term liquidity gaps are funded through Islamic Repo and short term money market tools.

The team also actively manages the Bank's sukuk portfolio. Following a significant ramp up in the deposit base in recent years as part of the Bank's new strategy, the team deployed excess liquidity after funding of financing assets in both interbank placements, sukuk and the Money Market Fund. The overall credit quality of the sukuk portfolio is investment grade in line with the overall limits set by the Board. Average duration is below five years in order to maintain reasonable liquidity levels as and when they are needed. Sukuk investments are also used to provide liquidity through the Repo market.

Another key function of the Treasury and Investment Management team is to manage different types of balance sheet risk exposures including market risk and liquidity risk. For more details regarding internal risk controls and risk governance framework, refer to the *Risk Management* section of the Prospectus.

Leveraging its expertise in FX, Islamic derivatives, profit rate swaps, sukuk and equities, the Bank plans to develop new products and offer different treasury products and investment solutions for its growing customer base. Current product offerings include short term liquid investments and FX products.

In order to further develop its fee income business, the Bank is working on seeding, structuring and launching Islamic funds with a mandate to invest in different asset classes such as real estate, machinery, equipment and aircraft. Plans are also underway to offer Islamic structured products to corporate clients and high net worth individuals to enable them to manage risk and to reflect their investment view in the market through different asset classes.

#### 2.2.4. Private Bank Products and Services

The following table shows the breadth and depth of QFB's existing product and service offerings under the Private Bank:

Deposits/ Payments	Financing
<ul style="list-style-type: none"> <li>Simple and rapid on boarding of new clients</li> <li>Current and savings deposits</li> <li>Term deposits</li> <li>International account solutions</li> <li>Multi-currency accounts</li> <li>Fiduciary (offshore) accounts</li> <li>Elite credit card</li> <li>Emergency cash handling</li> <li>Money transfers from QFB mobile and tablet apps</li> </ul>	<p>Rapid, flexible basic financing:</p> <ul style="list-style-type: none"> <li>Specialized financing with end-to-end services</li> <li>Lombard</li> <li>International mortgages</li> <li>Art/ yacht/ jewelry financing</li> <li>Mid-market financing:</li> <li>Start-up financing</li> <li>Flexible financing (facilities &amp; collaterals) across the capital structure</li> <li>Acquisition financing</li> <li>Margin trading</li> </ul>
Investments/ Treasury	Exclusive Services
<ul style="list-style-type: none"> <li>Co-investments with the Alternative Investments unit</li> <li>High yielding short-term restricted investment accounts</li> <li>In-house alternative investments products <ul style="list-style-type: none"> <li>Credit fund</li> <li>Bespoke structured product solutions</li> <li>Real estate linked investments</li> <li>Sector focused funds</li> </ul> </li> <li>Regional and international funds and equity brokerage</li> <li>Competitive FX/ treasury products</li> <li>Money Market Fund</li> </ul>	<ul style="list-style-type: none"> <li>Access to QFB Lounge (a lounge dedicated for private banking customers)</li> <li>Advisory services: <ul style="list-style-type: none"> <li>Referral (local and international) for tax, legal, accounting, property services</li> <li>Family office advisory</li> <li>Wealth advisory</li> <li>Asset monetization</li> </ul> </li> <li>Business networking &amp; access to opinion leaders</li> <li>24/7 multi-channel client interface</li> <li>Dedicated concierge &amp; discounts</li> <li>Flexible relationship-based pricing structure</li> </ul>

#### 2.2.5. Private Bank Strategy

The Bank's Private Bank strategy is to:

- Provide a broad range of investment and corporate banking products to position the Bank as an "elite-service" Shari'ah compliant financial services to HNWI, corporate & institutional clients and government entities.
- Offer specialized financing solutions for corporates and HNWI in Qatar, the GCC and the broader region for sectors and applications currently underserved by regional banks.

- Enhance the treasury product offering and provide clients with investment opportunities in different asset classes including fixed income and public equities as well as risk management solutions.
- Continue to invest in human capital building and maintaining valuable client relationship through a team of dedicated relationship and wealth managers.
- Develop synergies among different business functions and segments by creating cross-selling opportunities for enhancing the overall banking experience of the client and increasing Shareholders' value.

## **2.3. Support Functions**

These functions include back office support and internal control functions to ensure smooth functioning of the business units through collaborative partnership.

### **2.3.1. Administration**

The administration function at QFB includes the maintenance and security of the Head Office, management of all administrative services including drivers, office services, supplies, together with management of all procurement spend and external vendors.

### **2.3.2. Compliance**

Compliance is an independent function within QFB reporting directly to the Audit, Risk & Compliance Committee. The compliance function identifies, assesses monitors and reports regulatory risk across all business areas within QFB in line with QFCRA guidelines, together with international best practice. Compliance works with management and employees of all business units to identify and manage regulatory risk and to support business areas in complying with the relevant laws, regulations and internal procedures.

### **2.3.3. Corporate Communications**

Corporate communications play a key role in managing the perception of QFB by investors, employees and the general public. This role has several facets including managing the Bank's reputation, preparing the Senior Executive Management for media interviews, developing messages to deliver to investors and employees and suggesting new initiatives to maintain a cutting edge of communication with the stakeholders and their employees.

### **2.3.4. Finance**

The Finance unit acts as the guardian of QFB's financial resources, managing, reporting and forecasting on all of QFB's finances. Finance also act as consultants using internal business advisory and analytics capabilities to advise the Bank's senior executive managers including the monitoring of financials KPIs.

### **2.3.5. Human Resources**

Human Resources team works in partnership with the business units to identify, attract, develop, reward and retain exceptional talent, and to foster a collaborative and performance-oriented culture at QFB.

#### **2.3.6. Internal Audit**

Internal Audit function is an independent, objective assurance and consulting function set to add value and improve the Bank's operations. It helps QFB to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

QFB internal audit function is usually managed on an outsourced basis and works closely with QFB management, Board, external auditors and the QFCRA as required.

#### **2.3.7. Information Technology (IT)**

The IT unit is responsible for a wide range of activities, including application and infrastructure management, security monitoring, service desk functions. It works closely with all business units to implement technology solutions to meet the challenges in this competitive industry. The financial markets are complex, varied and ever changing – and technology is an integral part of the way they work.

#### **2.3.8. Legal**

Legal unit provides advice to QFB's senior executive managers on how to comply with the regulations that govern QFB business activities. QFB's lawyers and other specialists provide expert legal advice to all parts of QFB's business, including regulatory, employment and deal specific advice.

#### **2.3.9. Operations**

The operations unit ensures that all of QFB's transactions are settled swiftly and accurately. This involves designing and testing new, more effective ways of doing things to keep QFB ahead of its competitors.

#### **2.3.10. Risk**

The risk unit helps protect QFB's reputation, financial health and long-term interests by helping identify measure and control any and all risks to QFB business. It provides independent monitoring to the Board and the ARCC, whilst also working closely with the business units which ultimately own and manage the risks.

#### **2.3.11. *Shari'ah* Compliance**

The main function of *Shari'ah* Compliance unit is to build *Shari'ah* compliance controls in all areas of the Bank. The *Shari'ah* Compliance team works independently and reports to the Shari'ah Supervisory Board. It provides *Shari'ah* guidance and direction in day to day matters to the Bank's management as per the resolutions of the Shari'ah Supervisory Board and escalates new issues to the Shari'ah Supervisory Board to seek their guidance and directives.

### **3. BUSINESS CONTINUITY PLAN**

The Bank has business continuity plans, policies and processes in place. The disaster recovery procedures are tested annually to ensure that the business can be recovered in a timely and effective manner if disruptions should occur.

#### **4. QFB'S COMPETITIVE STRENGTHS**

QFB has several competitive strengths that not only support its strategic business positioning but also augurs well for future growth prospects.

##### **4.1. Well Positioned to Tap the Growth Potential of Shari'ah Compliant Financial Products and Services**

With a strategic focus on providing Shari'ah-compliant Private Banking and Wealth Management services, QFB is poised to capitalize on the growth potential of Islamic assets and increasing demand for customized banking and investment solutions. Qatar ranks third amongst the top 15 countries globally in terms of the proportion of households with over USD 1.0 million in financial wealth, which fits with the Bank's target threshold for HNWI. Further, the GCC region accounts for the largest proportion of Islamic financial assets, which are currently estimated at USD 1.7- 2.1 trillion or about 1% of the global financial market and expected to grow to USD 3.4 trillion by end of 2018<sup>2</sup>.

##### **4.2. Robust Business Model with Focus on Growth, Profitability and Diversification**

The Bank has a robust business model reflected by its proven track record in Alternative Investments and the new business strategy of providing a wide range of products and services to HNWI, corporate and institutional clients. In the Alternative Investments space, the Bank has successfully closed a total of 22 transactions since inception, while diversifying its investment exposure across different geographical markets and sectors. Currently, 13 out of the existing 16 private equity investments (including Subsidiaries) are based outside the "home" market of Qatar and spread across Europe, Asia, Africa and the MENA region. The investment strategy focuses on relatively defensive sectors such as healthcare as well as other sectors such as real estate. The typical investment period ranges from three to five years. To date, QFB has successfully exited six investments and generated attractive returns for the shareholders.

In executing the new business strategy of growing the Private Bank business segment, QFB successfully attracted a significant deposit base in a short period of time. Total deposits grew from under QAR 250.0 million in 2013 to over QAR 3,000.0 million in 2015. This provided a source of funding for growing the balance sheet and diversifying income streams. Income from private, corporate and institutional banking clients is expected to be a key growth driver. At the same time, a majority of the proprietary investments in private equity offer growth potential based on the management's investment thesis and investment horizon.

##### **4.3. Strategic Focus on Providing a Unique Experience for Private Banking Customers**

QFB has the capability to provide a one-stop-shop for its clients by providing a broad spectrum of financial services including bespoke *Shari'ah*-compliant solutions tailored to the specific needs of clients. A dedicated team of relationship managers focuses on wealth creation and maximizing the full potential of the client's private businesses and assets. Leveraging its expertise in private equity, the Bank also offers to partner and co-invest with clients in suitable investment opportunities that generate attractive returns.

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<sup>2</sup> Source: The Size of the Islamic Finance Market 27 Dec 2014 (<https://www.islamicfinance.com/2014/12/size-islamic-finance-market-vs-conventional-finance/>)



By providing exceptional staff quality, unique turnaround times and glamorous lifestyle services, the Bank is committed to providing a unique experience of luxury and service excellence equivalent to the best international standards. An exclusive premium lounge, innovative and flexible financing and investment solutions and state-of-the-art technology/digital services further reinforce QFB as the preferred Bank for the elite.

#### **4.4. Stringent Risk Control and Compliance and Strong Corporate Governance**

The Bank adheres to stringent internal controls and procedures for risk management and control and compliance with regulatory standards to meet the requirements of the QFCRA. The rules and regulations adopted by the QFCRA are modeled on international best practices. Additionally, the Bank conforms to the QFMA's Corporate Governance Code and has established best practices to avoid conflicts of interest. QFB believes that good corporate governance is a key differentiating factor that sets the Bank apart from its competitors while reinforcing Investor and client confidence.

#### **4.5. Highly Experienced and Dynamic Management Team**

QFB's management team is comprised of highly respected bankers and investment professionals who possess a wealth of industry experience. The cumulative experience of the Senior Executive Management team exceeds 200 years. The recently appointed Chief Executive Officer has over 29 years of experience regionally and internationally with high profile financial institutions and a track record in building high caliber management teams and institutions.

The management team's in-depth understanding of regional and international markets and proven expertise in the field of commercial and investment banking is reflected in the Bank's strong financial performance and business growth over the years.

The strong track record of private equity investments in particular, reflects the rigor of the managerial discipline exerted by the Bank's team on each business in which it has significant influence or control. The management team is performance driven and focuses unflinchingly on results and on generating attractive returns for the Shareholders.

#### **4.6. Well-capitalized Bank with Strong Ownership Structure**

The Group is well capitalized with total paid up capital of QAR 2,000.0 million as of 31 December 2015 and a CAR of 21.6%, well above the minimum regulatory threshold of 10.5% as prescribed by the QFCRA. The Bank's CAR indicates ample room for further growing the balance sheet.

Furthermore, the Shareholders include influential and prominent individuals, key institutional Investors that are critical to the success of the Bank's growth objectives.

### **5. QFB'S RECENT DEVELOPMENTS**

#### **5.1. At the Level of the Bank**

The Bank recently started the legal process to create a new separate legal entity, QFB Capital, as a fully owned subsidiary of QFB. It is expected to conduct the following regulated activities:

- Advising on investments; and
- Arranging deals in investments.

## **5.2. At the Level of the Subsidiaries**

Two of the Subsidiaries are being recapitalized whereby their shareholders are in the process of injecting AED 75.0 million in equity. QFB will contribute up to AED 61.4 million. The previous plan for the acquisition of an equity stake through a capital increase by a non-group entity has therefore been put on hold.

The interests of the Bank in Al Wasita has been reduced to 81.91% due to remuneration arrangements with the management of Al Wasita that was approved subsequent to 31 December 2015.

## **6. RISK MANAGEMENT**

Risk is an inherent part of the Group's business. The Group's risk management and governance framework is intended to provide progressive controls and continuous management of the major risks associated with the Bank'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 managing the Bank's business on an ongoing basis. Each business unit within the Bank is accountable for the risk exposures relating to its responsibilities. The Bank 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 Bank's ability to identify, measure, monitor and report risk is a core element of the Bank's operating philosophy and profitability.

### **6.1. Risk Framework and Governance**

The Bank's risk management process is an integral part of the organization's culture and is embedded into all of its practices and processes. The Board, EXCOM, ARCC, Senior Executive Management and line managers all contribute to the effective management of risk across QFB.

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

The ARCC is tasked with implementing risk management policies, guidelines and limits as well as ensuring that monitoring processes are in place. QFB risk management department provides independent monitoring to the Board and the ARCC whilst also working closely with the business units which ultimately own and manage the risks.

#### **6.1.1. Investment Risk Management**

Investment risk associated with the Alternative Investments activity is identified and assessed via extensive due diligence conducted by the respective investment departments. The Bank's investments in alternative investments cannot generally be hedged or liquidated easily. Consequently, the Bank seeks to mitigate its risks via more direct means. Post-acquisition risk management is rigorously exercised, mainly via board representation within the Investee Companies and the Subsidiaries, during the life of the alternative investments. Periodic reviews of investments are undertaken and presented to the INVCO for review. Concerns over risks and performance are addressed via the investment area responsible for managing the investment under the oversight of the INVCO.

### **6.1.2. Credit Risk Management**

Credit risk is the expected loss that the Bank may incur on the principal or profit earned on profit bearing assets in the event its customers, clients or counterparties fail to discharge their contractual obligations. The Bank 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.

For details regarding the maximum exposure to credit risk for the components of the financial position, please refer to notes on the Financial Statements related to risk management (note 29 for FY15 & FY14, and note 27 for FY13).

### **6.1.3. Liquidity Risk and Funding Management**

Liquidity risk is defined as the risk that the Bank will not have sufficient funds available to meet its financial liabilities when due. The Bank manages liquidity by ensuring that it has sufficient capital to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation. QFB Treasury & Investment Management department receives information from QFB 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. QFB Treasury & Investment Management 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 ALCO and the Board whereby ALCO regularly receives reports relating to the Bank's liquidity position.

For details regarding the exposure to liquidity risk, please refer to notes on financial instruments and related risk management (note 29 for FY15 & FY14, and note 27 for FY13) in the Financial Statements.

### **6.1.4. Market Risk Management**

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 commodity prices. The Bank monitors this risk for both its alternative investments and for its other banking activities.

For details regarding the exposure to market risk, please refer to notes on the Financial Statements related to risk management (notes 29 for FY15 & FY14, and notes 27 for FY13).

#### **6.1.4.1. Profit Rate Risk Management**

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 Bank's current exposure to profit rate risk is limited to the following:

- The Bank's placements with financial institutions (classified as "Placements with financial institutions");
- The Bank's investment portfolio of sukuk (classified as "Investments at amortized cost");
- The Bank's investments in Murabaha (classified as "Financing assets"); and

- Amounts received by the Bank as financing from financial institutions (classified as “Due to banks”).

The profit rate risk on the sukuk book is managed through altering the cash flows of the underlying assets in order to mitigate the repricing should there be moves in profit rates. This is achieved through the use of profit rate swaps. In addition, the Bank makes sure that it is well capitalized to absorb losses arising from changes in profit rates.

#### **6.1.4.2. Foreign Exchange Risk Management**

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 net opened FX positions by currency. Positions are monitored regularly to ensure that positions are maintained within established limits.

#### **6.1.4.3. Commodities Price Risk Management**

The Bank does not currently have commodities portfolios; hence it has limited exposure to commodity price risk.

#### **6.1.5. Operational Risk Management**

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputational loss, and subsequently legal and regulatory consequences. The Bank manages operational risk through appropriate controls, including the segregation of duties as well as internal checks and balances (e.g. internal audit and compliance functions). QFB risk management department facilitates the management of operational risk by assisting in the identification, monitoring and management of operational risk within the Bank. The Bank has risk and control assessments and key risk indicators currently in place for half of the Bank’s departments. It is expected that these will be in place for all of the Bank’s departments by the end of 2016.

#### **6.1.6. Concentration Risk Management**

Concentration risk arises when a number of counterparties are engaged in similar business activities, 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 Bank’s performance to developments affecting a particular industry or geographical location or individual obligor. In order to avoid excessive concentration risk, the Bank’s policies and procedures include guidelines to focus on maintaining a diversified portfolio. Identified concentrations of investment and funding risks are controlled and managed accordingly.

### **6.2. Capital Management**

The primary objectives of the Bank’s capital management are to ensure that the Bank complies with regulatory capital requirements and maintains healthy capital ratios in order to support its business and to maximize Shareholder value.

The Bank manages its capital structure and makes adjustments to it in line with changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the

capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to owners or issue new capital. The QFCRA sets and monitors capital requirements for the Bank as a whole. In implementing current capital requirements, the QFCRA requires the Bank to maintain a positive prescribed ratio of total capital to total risk-weighted assets.

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

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and minority interests 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 general provisions for unidentified losses and other instruments classified as Tier 2 capital as per the QFCRA.

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 financial position exposures.

The Bank's policy is to meet or exceed the capital requirements determined by the QFCRA. The Bank has recently approved the Economic Capital Framework which ensures that the Bank remains adequately capitalized in stressed market conditions.

## INDUSTRY OVERVIEW

### 1. FINANCIAL SERVICES INDUSTRY

The Qatari financial services industry has witnessed growth over the past decade. The establishment of the QFC in 2005, combined with numerous regulatory reforms and the willingness of the Government to establish Qatar as a regional and international financial center have all contributed to the growth of the sector. A key regulatory change was the decision of the QCB to separate conventional banks from Islamic banks in 2011. This resulted in closure of Islamic banking operations including undertaking or offering Islamic products and services by conventional banks and spurred growth of Islamic financial institutions.

The financial services industry in Qatar is comprised of several banking and non-banking financial institutions. These institutions provide a wide array of financial services, which can be broadly classified as personal banking, commercial banking, private banking, investment banking, insurance and reinsurance, and foreign exchange services.

Personal and commercial banking services include deposit taking, credit facilities, trade finance, credit cards, etc., catering to a diversified mix of customers comprised of individuals, corporates, Government and Government-related entities.

Private Banking and Wealth Management services include banking, lending, investment and other financial services targeting HNWI as well as corporate and institutional clients. The MENA region is expected to record the second fastest growth of 9.8% in private banking market between 2013 and 2018, compared to 5.8% in developed markets. Within the GCC region, private banking has emerged as an increasingly attractive business segment as a decade-long oil boom has created a vast pool of wealth for individuals and family offices as well as sizeable sovereign wealth funds. According to a recent wealth management survey, personal financial wealth in the four wealthiest GCC countries amounted to USD 2.7 trillion in 2015, an increase of 68.8% from USD 1.6 trillion in 2011.<sup>3</sup> Based on another survey, GCC countries rank amongst the top 15 countries worldwide (with Bahrain and Qatar in second and third place, respectively) in terms of the proportion of households with over USD 1.0 million in personal financial wealth<sup>4</sup>.

As part of private banking services, banks provide customized solutions for investment, day-to-day banking services, financing and other specialized services tailored to the unique needs of their clients. Although international banks still account for about 70%<sup>5</sup> of assets and continue to dominate rankings in surveys, local banks have some competitive advantages. These include personal relationships with local clients, client preference for dealing with local banks and client preference for keeping assets close to home primarily in their own businesses, real estate and cash. Competition is intensifying with local banks increasingly competing against the long-dominant international private banks to capture a greater share of the HNWI, pension fund and sovereign wealth fund markets.

Investment banking is comprised of financial advisory, asset management and private equity. The private equity sector in the GCC is sizeable and growing fast. The MENA Private Equity

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<sup>3</sup> McKinsey Global Wealth Management Survey 2014

<sup>4</sup> The EY GCC Wealth and Asset Management Report 2015

<sup>5</sup> The EY GCC Wealth and Asset Management Report 2015

Association estimated that USD 1.5 billion was invested in the wider region in 2014, with 55.0% allocated to the UAE and 21.0% to Saudi Arabia<sup>6</sup>. An alternative investments research firm estimated that in 2012, there were 72 private equity firms in the GCC that had collectively raised more than USD 15 billion over the previous decade, with more than half raised by firms in the UAE<sup>7</sup>. However, a portion of the foregoing funds was neither originated nor invested regionally.

Asset management in the GCC is comprised of mutual funds and separately managed portfolios for wealthy individuals, companies and government entities. The size of separately managed portfolios is estimated at about USD 200 billion, five times larger than mutual funds<sup>8</sup>. Notwithstanding the fact that retail investors in the GCC tend to invest directly in equities and real estate partially due to lack of awareness regarding the advantages of professionally managed funds, the mutual fund industry is poised for significant growth as local markets mature and open up to foreign investors. However, there is significant competition from foreign players, with both nationals and expatriates investing with asset managers based outside the region.

As of July 2015, mutual funds accounted for around USD 36 billion in assets, held across 375 funds with Saudi Arabia accounting for 80.0% of the total AUM. The sector is highly concentrated in a few funds with the top 10 (8 from Saudi Arabia and 2 from Kuwait) accounting for 42.0% of AUM. 65 funds with greater than USD 100.0 million in AUM held 78.0% of assets<sup>9</sup>.

There is a wide range of fund types and geographic focus and strategies. Across the region, one-third of the market is focused on equity funds and one-third on the money market. Based on an analysis of 246 funds, the average total return across the funds is estimated at 11.5% over three years<sup>3</sup>. The relatively small size of the mutual funds, and market inefficiencies in the market, provide scope for active managers to outperform the benchmark index.

## **2. REGULATORY OVERVIEW**

Financial activities in Qatar are currently, conducted by two regulators: the QFCRA and the QCB. The QFCRA is an independent body and is the main regulatory authority within the QFC. The authority was established to authorize and regulate institutions conducting financial services in or from the QFC. On the other hand, QCB acts as the central bank of Qatar and regulates all financial institutions excluding those that fall under QFC jurisdiction.

The QFC is, nevertheless, an onshore jurisdiction parallel to that of the QCB. The QFC offers domestic and international institutions the opportunity to establish a broad range of banking, asset management and insurance businesses under a legal and regulatory regime that meets international best practice as well as non-regulated activities that are ancillary to the financial industry. The legal system is based on English common law and QFC-licensed firms benefit from regulation which is risk and principles-based.

In addition to the QFCRA, there are three other primary independent bodies within the QFC which include the QFCA, the QFC civil and commercial court and the QFC regulatory tribunal. The QFCA manages the business of operating of the QFC according to the objectives fixed by the QFC Law. The QFC civil and commercial court has jurisdiction over disputes arising within the QFC or

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<sup>6</sup> The EY GCC Wealth and Asset Management Report 2015

<sup>7</sup> The EY GCC Wealth and Asset Management Report 2015

<sup>8</sup> The EY GCC Wealth and Asset Management Report 2015

<sup>9</sup> The EY GCC Wealth and Asset Management Report 2015

where the parties have opted to choose the QFC court as jurisdiction. The QFC regulatory tribunal hears appeals against decisions of the QFCRA, the QFCA and other QFC institutions. The QFCRA, the QFC civil and commercial court and the QFC regulatory tribunal are all statutory independent bodies reporting to the Council of Ministers.

## **2.1. QFCRA**

The QFCRA regulates, authorizes, supervises and, when necessary, disciplines firms conducting regulated activities carried out in or from the QFC. Furthermore, the QFCRA registers and supervises the directors and other designated officers of the businesses authorized by it. The regulatory approach is modeled closely to the UK's Financial Services Authority.

In its supervisory role, the QFCRA oversees the application and enforcement of rules governing banking activities, investment management and advisory and insurance business. The prudential framework for firms conducting Islamic banking and investment business is covered under the IBANK. These rules include the responsibilities of the firm for compliance with the principles and requirements as set out in the rules, compliance with *Shari'ah*, prudential reporting requirements, capital adequacy and risk management related to credit risk, market risk, liquidity risk, group risk as well as operational risk.

Capital adequacy is measured against three capital ratios expressed as percentages of a firm's total risk-weighted assets. The minimum capital adequacy ratios including a capital conservation buffer of 2.5% are (i) a common equity tier 1 capital ratio of 7.0% (ii) tier 1 capital ratio of 8.5% and (iii) a regulatory capital of 10.5%. The QFCRA may, if it believes it is prudent to do so, increase any or all of a firm's minimum capital adequacy ratios. The authority will notify the firm in writing about a new capital adequacy ratio and the timeframe for meeting it. A firm must maintain, at all times, capital adequacy ratios higher than the required minimum so that adequate capital is maintained in the context of the firm's risk tolerance, risk profile and capital requirements, and as an additional buffer to absorb losses and problems from market volatility.

## **2.2. QCB**

The QCB was founded in 1973. The QCB acts as a regulatory, control and supervisory higher authority for all the services, business, markets and financial activities of Qatar's commercial banks and non-bank financial institutions including insurance companies. As a central bank, QCB is also the key authority for setting and implementing monetary policy, exchange rate policy and investment policy objectives including the management of Qatar's interest rates, currency stability and inflation in addition to managing QCB's own reserves.

The QCB conducts regular inspections of commercial banks and reviews reports and other mandatory data submitted by commercial banks, including monthly capital adequacy compliance reports. In 2011, the QCB established the Qatar Credit Bureau in order to collect and make available consumer credit information to commercial banks. Commercial banks are also required to have their annual accounts audited by the QCB's approved independent auditors and to obtain prior approval from the QCB to appoint senior executive management.

The QCB has implemented regulations regarding non-performing loans, large exposures, country risk, money market and foreign exchange accounts, credit ratios, fixed assets for banks' use, reserve requirements and banks' investments. The QCB has the authority to impose penalties in the event that banks fail to comply with these regulations. The QCB requires commercial banks to maintain



a minimum reserve requirement and as well as capital adequacy requirements in line with the “well-capitalized” level in the Basel II guidelines and above the guidelines minimum recommended levels. The QCB requires each commercial bank to maintain a risk reserve balance as well as exposure limits and credit controls. The QCB plans to implement Basel III standards earlier than the required timeline for completion of different aspects of the Basel III framework falls between 2013 and 2019.

In January 2014, the QCB issued a circular to all commercial banks with instructions regarding the implementation of Basel III requirements. The QCB minimum recommended capital adequacy requirements under Basel III were increased to 12.5% (including a capital conservation buffer of 2.5%). Commercial banks in Qatar are also required to maintain a minimum liquidity coverage ratio of 60.0% for 2014, to be increased by 10% each year to reach 100% in 2018.

The QCB uses various monetary instruments to address price stability. The QCB instructions issued in September 2013 specified that a reserve requirement of 4.75% of a bank’s total deposits is to be kept with the QCB. The QCB requires local banks to charge a risk reserve of a minimum of 2.5% on total credit facilities. The risk reserve is not charged as an income statement expense but as an appropriation account and included under shareholders’ equity as a separate line item.

The QCB also imposes certain exposure limits and credit controls on commercial banks. Credit facilities in excess of 20% of any bank’s capital and reserves cannot be extended to a single customer’s borrower group. Credit and investment facilities in excess of 25% of any commercial bank’s capital and reserves cannot be extended to a single customer’s borrower group. Credit facilities extended to a single major shareholder’s borrower group in any bank cannot exceed 10% of that bank’s capital and reserves.

The QCB sets a maximum limit on loans and Islamic finance against transfer of salaries of QAR 2 million for Qatari citizens and QAR 400,000 for non-Qatari residents, with an overall cap on non-Qatari residents of QAR 1 million. The QCB provides that the maximum terms on loans and Islamic finance are six years for Qatari citizens and four years for non-Qatari residents. Maximum rates of interest are set at the QCB Rate on top of which 1.5% per annum is added for Qatari citizens and non-Qatari residents. The QCB also sets caps in relation to the amount of total monthly obligations that an individual can have against salary which is set at 75% of the sum of basic salary and social allowance for Qatari citizens and 50% of total salary for non-Qatari residents.

The QCB regulations dictate that the maximum credit card withdrawal limit of an individual in Qatar is double his or her net total salary for both Qatari citizens and the non-Qatari residents. The QCB provides that maximum rates of interest for credit cards are set at 1% monthly for Qatari citizens and non-Qatari residents.

The QCB has specific regulations applicable to real estate financing. In cases where an individual’s salary is the main source of repayment, the QCB provides that the maximum limit of total real estate finance available is 70% of the value of mortgaged properties. In addition, the maximum period permitted for repayment of the real estate finance is 20 years, including any grace period. The QCB regulations dictate that the maximum salary deductions, including instalments and other liabilities, are capped at 75% of the basic salary and social allowance for Qatari citizens, and capped at 50% of total salary for non-Qatari residents, provided that the salary and post retirement service dues are transferred to the bank offering the finance.

In 2010, the QCB initiated single factor stress testing of the portfolios of commercial banks in Qatar in 2010. The testing covers the four broad areas of liquidity risk, credit risk, interest rate risk and equity market risk. The results of these stress tests illustrate the possible impact of adverse financial conditions on a commercial banks' capital adequacy ratio or return on assets.

The QCB also issues domestic currency and conducts bank clearing operations and settlements. The investment department of the QCB manages the investments of the QCB's financial reserves that are primarily in the form of securities issued or guaranteed by other governments with maturities of up to 10 years.

#### **2.2.1. Rates**

The QCB utilizes three different rates: a lending rate, a deposit rate and a reverse repo rate. The lending rate is used for the lending facility through which commercial banks can obtain liquidity from the QCB. The deposit rate is used for the deposit facility through which commercial banks can place deposits with the QCB and stands at 0.75% (down from 4% in early 2008). The QCB's lending rate is 4.5%, most recently lowered from 5% as of 2011. Deposit and lending facilities may be rolled over to the next day, when transactions are executed electronically. The reverse repo rate is a pre-determined interest rate set by the QCB for reverse repo transactions entered into between the QCB and commercial banks. The overnight liquidity facility rate is used for overnight lending by the QCB to commercial banks. Following the recent hike of a quarter point increase in the federal fund rate by the U.S. in December 2015, Saudi Arabia, Kuwait and Bahrain also raised interest rates. However, Qatar kept the interest rates unchanged.

### **3. BANKING SECTOR OF QATAR**

The following section is based on information sourced from QCB in relation to financial institutions regulated by QCB in addition to public information sourced from the Qatar Exchange in relation to the listed financial institutions which are also regulated by QCB.

Based on QCB data as of 31 December 2014, there were a total of 18 banks based in Qatar including seven local conventional banks, four local Islamic banks and seven foreign banks. This excludes any bank or financial institution operating out of QFC. These banks operate through an extensive network of 265 branches and 1,202 ATMs located throughout Qatar. A total of eight domestic banks are listed on the Qatar Exchange with total market capitalization of over QAR 220 billion as of 31 December 2015. Market share is concentrated, with three banks (Qatar National Bank, Qatar Islamic Bank and Commercial Bank of Qatar) accounting for over 70.0% of the total loans and deposits held by the listed banks. In pursuit of further growth and balance sheet expansion, some of the domestic banks have sought foreign acquisitions in emerging markets such as Turkey and Morocco.

The banking sector is well-supported by the Government, which owns equity stakes in most domestic banks. In the aftermath of the global financial crisis of 2008, Government authorities took unprecedented measures to provide financial support and preserve the stability of the banking sector. The Government injected capital in the listed domestic banks through the acquisition of equity stakes ranging from 5-20% by the Qatar Investment Authority. In early 2009, the Government extended further support by purchasing a portion of the real estate portfolios and investments of nine domestic commercial banks at the net book value of such portfolios. The total purchase price amounted to approximately QAR 6.5 billion (USD 1.8 billion) and was paid through

a combination of cash and domestic Government bonds. Credit rating agencies expect the Government to continue to support domestic banks.

### 3.1. Total Assets and Liabilities

The collective asset base of Qatari banks exceeded one trillion Qatari Riyals as of year-end 2014, a key milestone in the history of the banking sector. As of 31 December 2015, total assets for the banking sector stood at QAR 1,120.7 billion, recording a 3Y CAGR of 11.0% driven by an increase in the lending portfolio (3Y CAGR 13.8%).

The table below shows a breakdown of total assets and percentage contribution:

QAR billion	As at 31 December						3Y CAGR
	2013	%	2014	%	2015	%	
Cash and precious metals	4.4	0.5%	6.4	0.6%	6.7	0.6%	19.2%
Claims on central bank	31.5	3.4%	40.0	4.0%	33.5	3.0%	-0.8%
Claims on banks	86.3	9.4%	118.8	11.7%	115.6	10.3%	6.1%
Securities portfolio	166.0	18.1%	140.4	13.9%	158.5	14.1%	4.2%
Credit facilities	578.0	63.1%	653.4	64.6%	752.6	67.2%	13.8%
Investments in subsidiaries and associates	32.4	3.5%	35.0	3.5%	34.8	3.1%	20.5%
Other assets*	17.4	1.9%	17.6	1.7%	19.1	1.7%	7.8%
<b>Total</b>	<b>915.9</b>	<b>100.0%</b>	<b>1,011.7</b>	<b>100.0%</b>	<b>1,120.7</b>	<b>100.0%</b>	<b>11.0%</b>

Source: QCB – Banks monthly statements

\*Other assets include investment in real estate, net fixed assets and other assets.

Total liabilities comprised mainly of customer deposits (58.0% of total liabilities as of 2015) and due to banks (19.1% of total liabilities as of 2015). Wholesale funding, characterized by interbank borrowing and debt securities, increased at a 3Y CAGR of 8.0% to reach QAR 253 billion at the end of 2015 as banks sought to diversify their funding base. Although cross-border funding increased to a significant 29.0% of total liabilities in 2015 compared to 25.6% in 2014 and foreign deposits' share of total deposits declined to 30.0% in 2015 against 33.5% in 2014, Qatari banks still enjoy relatively stable sources of funding according to Capital Intelligence, a global rating agency.

The following table presents a breakdown of total liabilities and percentage contribution:

QAR billion	As at 31 December						3Y CAGR
	2013	%	2014	%	2015	%	
Due to central banks	6.1	0.7%	7.0	0.7%	7.1	0.6%	21.1%
Due to banks	137.6	15.0%	167.6	16.6%	214.1	19.1%	8.5%
Customer deposits	548.4	59.9%	601.1	59.4%	650.3	58.0%	12.4%
Debt securities – Sukuk	46.9	5.1%	42.5	4.2%	38.8	3.5%	5.7%
Provisions	12.5	1.4%	12.9	1.3%	13.6	1.2%	8.9%
Capital account	114.8	12.5%	122.6	12.1%	128.9	11.5%	6.9%
Other liabilities	49.6	5.4%	58.0	5.7%	68.0	6.1%	17.7%
<b>Total</b>	<b>915.9</b>	<b>100.0%</b>	<b>1,011.7</b>	<b>100.0%</b>	<b>1,120.7</b>	<b>100.0%</b>	<b>11.0%</b>

Source: QCB – Banks monthly statements

### 3.2. Loans

Over the last three years, the banking sector witnessed robust credit expansion with 3Y CAGR of 13.8% driven by rapid economic growth, increasing private consumption and large allocations in Government spending for major development projects. The private sector continues to be highly

leveraged accounting for a vast proportion (55.0% as of 2015) of total credit exposure. This sector grew by 3Y CAGR 18.6% led by the real estate and construction sectors which recorded strong double digit growth (3Y CAGR 15.9%).

The public sector comprising of Government and Government-related entities continued to be another significant contributor (31.7% as of 2015) of total loans, however, growth has been moderate (3Y CAGR 2.9%). With over 95% of credit exposure to the private and public sector, only a small portion of credit exposure (1.6% as of 2015) comprised of local non-bank financial institutions. Despite being a small contributor, this sector has registered significant growth (3Y CAGR 19.1%).

Foreign currency lending is mitigated by the exchange rate whereby the Qatari Riyal is pegged to the U.S. Dollar, and QCB regulations which recently imposed a cap on lending in foreign currencies.

The table below shows a breakdown of total loans by sector and percentage contribution:

QAR billion	As at 31 December						3Y CAGR
	2013	%	2014	%	2015	%	
Public Sector:							
Government	56.5	9.8%	64.7	9.9%	76.8	10.2%	14.1%
Government institutions	152.5	26.4%	140.4	21.5%	140.1	18.6%	0.1%
Semi government institutions	30.7	5.3%	28.4	4.3%	21.3	2.8%	-7.8%
Total public sector loans	239.7	41.5%	233.6	35.7%	238.3	31.7%	2.9%
Private sector:							
Real estate	85.4	14.8%	95.1	14.6%	121.2	16.1%	12.3%
Consumption*	80.2	13.9%	99.1	15.2%	115.8	15.4%	17.7%
General trade	36.0	6.2%	48.3	7.4%	59.1	7.9%	21.1%
Services	44.8	7.7%	54.9	8.4%	57.7	7.7%	28.9%
Contractors	23.3	4.0%	30.4	4.6%	37.5	5.0%	31.4%
Industry	11.6	2.0%	12.3	1.9%	17.2	2.3%	22.6%
Other	5.0	0.9%	4.3	0.7%	5.5	0.7%	-0.8%
Total private sector loans	286.3	49.5%	344.3	52.7%	414.1	55.0%	18.6%
Non-bank financial institutions	9.6	1.7%	11.9	1.8%	12.3	1.6%	2.3%
Total domestic loans	535.7	92.7%	589.7	90.3%	664.7	88.3%	11.6%
Loans outside Qatar	42.3	7.3%	63.7	9.7%	87.9	11.7%	40.4%
<b>Total loans</b>	<b>578.0</b>	<b>100.0%</b>	<b>653.4</b>	<b>100.0%</b>	<b>752.6</b>	<b>100.0%</b>	<b>13.8%</b>

Source: QCB – Banks monthly statements

\* includes automobiles, furniture, personal loans and others

### 3.3. Deposits

The growth in total loans outpaced deposit growth which increased by a 3Y CAGR of 12.4% as of 2015. As a result, the loan to deposit ratio has increased from 111.3% in 2012 to 115.7% in 2015. At this level, Qatar has the highest loan-to-deposit ratio amongst GCC banks.

The private sector accounted for the majority of deposits (54.5% as of 2015) and grew at a 3Y CAGR of 14.4%. In contrast, public sector deposits grew modestly (3Y CAGR of 5.0%). The lukewarm growth was due to a decline in Government balances stemming from low oil prices in 2014 and 2015. The decline in Government deposits also caused a tightening of liquidity. The overall public and private sector accounted for 86.7% of the total deposits with the remaining 13.3% contributed by non-bank financial institutions.

The table below shows a breakdown of total deposits by sector and currency, in addition to percentage contribution:

As at 31 December							3Y
QAR billion	2013	%	2014	%	2015	%	CAGR
Public Sector:							
By currency:							
In Qatari Riyal	86.3	15.7%	83.6	13.9%	84.4	13.0%	
In foreign currencies	143.9	26.2%	144.5	24.0%	124.7	19.2%	
By sector:							
Government	68.5	12.5%	59.4	9.9%	57.7	8.9%	
Government institutions	124.4	22.7%	129.6	21.6%	116.9	18.0%	
Semi government institutions	37.3	6.8%	39.1	6.5%	34.5	5.3%	
Total public sector Deposits	230.1	42.0%	228.1	38.0%	209.1	32.2%	
Private sector:							
By currency:							
In Qatari Riyal	244.8	44.6%	274.8	45.7%	291.2	44.8%	
In foreign currencies	39.8	7.3%	50.0	8.3%	63.3	9.7%	
By sector:							
Personal	145.8	26.6%	162.3	27.0%	148.4	22.8%	
Companies and institutions	138.8	25.3%	162.6	27.0%	206.1	31.7%	
Total private sector deposits	284.7	51.9%	324.8	54.0%	354.5	54.5%	
Total deposits:							
By currency:							
In Qatari Riyal	331.1	60.4%	358.4	59.6%	375.6	57.8%	
In foreign currencies	183.7	33.5%	194.6	32.4%	188.0	28.9%	
Non-resident deposits	33.6	6.1%	48.1	8.0%	86.6	13.3%	
Total deposits	548.4	100.0%	601.1	100.0%	650.3	100.0%	

Source: QCB - Banks monthly statements

### 3.4. Asset Quality

Amongst GCC banks, Qatari listed banks have the lowest NPL ratio of 1.7% as of 2015, reflecting sound asset quality. Impairment charges on loans and advances decreased by over 20.0% YOY according to KPMG. The NPL ratio reached a peak of 2.8% in 2012 during the 2011-2015 period. In line with this trend, the average coverage ratio for the listed banks also peaked in 2012 at 128.0% and declined to 96.0% as of 2015. Moody's expects asset quality to continue to be supported by prudential regulation and a sizeable proportion of high quality Government related loans.

### 3.5. Capitalization

Qatar's banking sector remained well-capitalized in 2015 with favorable asset quality although tight liquidity emerged as a key concern, especially for the private sector. As of 2015, capital adequacy ratios for the listed banks surpassed the regulatory requirements. The banks reported tier 1 CAR of 15.4%, well above the regulatory threshold of 10.5%, while total CAR of 15.5% also exceeded the regulatory requirement of 12.5%. However, robust credit expansion has diluted total CAR which reached a high of 18% in 2012.

### **3.6. Profitability**

Based on public data, listed banks reported a modest set of earning results in 2015 due to challenging market conditions. The combined net profitability reached QAR 19.9 billion, an increase of 3.8% compared to 2014 as compared to growth of 11.1% and 7.2% in the previous two years. Profitability in 2015 was impacted by margin compression due to a decline in low cost Government deposits and increasing reliance on long term and costlier market funding. Other factors included impairments related to equity investments due to the sharp decline in stock markets and tightening liquidity which constrained asset growth and impacted financing income. These factors were partially mitigated by the decline in NPLs. The net impact on ROAA was a decline from 2.8% in 2010 to 1.8% in 2015, a decrease of about 100 Bps. The ROAE also declined, albeit to a lesser extent from 16.7% in 2010 to 13.6% in 2015.

### **3.7. Credit Ratings and Outlook**

According to Moody's update as of July 2015, the outlook for Qatar's banking system was maintained at stable, unchanged since 2010, reflecting the expectation that high level of public spending will persist despite the impact of lower oil prices.

## **AUDITOR'S REPORT AND FINANCIAL STATEMENTS**

This Auditor's report has been issued on the audited consolidated financial statements of the Group for the year ended 31 December 2015.

The audited consolidated financial statements of the Group for the years ended 31 December 2013 and 2014 were audited by PricewaterhouseCoopers.

Consolidated financial statements  
31 December 2013





## **Independent Auditor's Report to the Shareholders of Qatar First Bank L.L.C**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Qatar First Bank L.L.C (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the related consolidated net income and consolidated statements of changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Directors' responsibility for the consolidated financial statements**

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Shari'a. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards 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 disclosures 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 consolidated financial statement presentation. 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 financial position of the Group as at 31 December 2013 and of the results of its operations, its cash flows, and changes in owners' equity for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.



## **Independent Auditors' Report to the Shareholders of Qatar First Bank L.L.C (continued)**

### **Report on regulatory requirements**

As required by the Companies Regulations 2005, we report that the consolidated financial statements have been properly prepared in accordance with the applicable provisions of the Companies Regulations 2005 and the applicable requirements of the Qatar Financial Centre Regulatory Authority.

*PricewaterhouseCoopers*

Signed by  
Mohamed Elmoataz

Auditor's registration number 281  
17 February 2014

**Qatar First Bank L.L.C**  
**As at 31 December 2013**

*(All amounts are expressed in United States Dollars thousands)*

**Consolidated statement of financial position**

	Notes	2013	2012
<b>Assets</b>			
Cash and cash equivalents	3	225,057	131,630
Investments carried at amortised cost	4	74,828	52,702
Due from financing activities	5	83,007	59,457
Accounts receivable	6	33,120	19,498
Inventories	7	10,481	11,396
Corporate investments	8	278,289	212,577
Investments in real estate	9	61,535	54,142
Other assets	10	25,506	14,906
Fixed assets	11	36,646	35,666
Intangible assets	12	9,306	10,782
<b>Total assets</b>		<b>837,775</b>	<b>602,756</b>
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
Financing from financial institutions	13	91,477	78,078
Customers' account balances		84,082	-
Other liabilities	14	54,241	46,043
<b>Total liabilities</b>		<b>229,800</b>	<b>124,121</b>
<b>Owners' equity</b>			
Share capital	15	549,451	431,476
Fair value reserve		4,635	2,144
Retained earnings		39,987	31,543
<b>Total equity attributable to owners of the parent</b>		<b>594,073</b>	<b>465,163</b>
Non-controlling interest		13,902	13,472
<b>Total owners' equity</b>		<b>607,975</b>	<b>478,635</b>
<b>Total liabilities and owners' equity</b>		<b>837,775</b>	<b>602,756</b>

These consolidated financial statements were authorised for issuance by the Board of Directors on 12 February 2014 and signed on their behalf by:

  
**Abdulla bin Fahad bin Ghorab Al Marri**  
**Chairman**

  
**Ahmad Meshari Muhaidi**  
**Acting Chief Executive Officer**

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

**Qatar First Bank L.L.C****For the year ended 31 December 2013***(All amounts are expressed in United States Dollars thousands)***Consolidated income statement**

	Notes	2013	2012
<b>Income</b>			
Revenue from non-banking activities	16	86,969	43,688
Gain on re-measurement of investments at fair value through income statement	8.3	66,568	8,904
Dividend income		288	15,207
Profit on investments carried at amortised cost		2,456	3,087
Gain on bargain purchase of a subsidiary	23	-	8,539
Gain on disposal of investments carried at amortised cost		1,132	3,750
Gain on disposal of corporate investments	8.3	7,942	3,339
Gain on disposal of a subsidiary	24	-	27,288
Income from financing activities		6,886	1,837
Other income	17	3,900	4,364
<b>Total income</b>		<b>176,141</b>	<b>120,003</b>
<b>Expenses</b>			
Non-banking activity expenses	16	84,826	48,845
Staff costs		30,791	28,940
Other operating expenses	18	19,183	20,627
Depreciation and amortisation		2,263	2,126
<b>Total expenses</b>		<b>137,063</b>	<b>100,538</b>
Net income before tax		39,078	19,465
Income tax		-	-
Net income after tax from continuing operations		39,078	19,465
Net income after tax from discontinued operations	24	-	10,632
<b>Net income</b>		<b>39,078</b>	<b>30,097</b>
<b>Attributable to:</b>			
Owners of the parent		38,648	31,131
Non-controlling interest		430	(1,034)
		<b>39,078</b>	<b>30,097</b>
Basic/Diluted earnings per share from continuing operations - US cents	19	22.56	15.05
Basic/Diluted earnings per share from discontinued operations - US cents	19	-	4.77
Basic/Diluted earnings per share - US cents		<b>22.56</b>	<b>19.82</b>

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

**Qatar First Bank L.L.C**

**For the year ended 31 December 2013**

*(All amounts are expressed in United States Dollars thousands)*

**Consolidated statement of changes in owners' equity**

	Attributable to owners of the parent				Non-controlling interest	Total
	Share capital	Fair value reserve	Retained earnings	Total		
Balance at 1 January 2012	431,476	(405)	26,301	457,372	38,711	496,083
Balance recognised on acquisition of a subsidiary (note 23)	-	-	-	-	4,940	4,940
Balance recognised on establishment of a subsidiary	-	-	-	-	138	138
Fair value adjustment	-	2,549	-	2,549	86	2,635
Dividends (note 29)	-	-	(25,889)	(25,889)	-	(25,889)
Net income for the year	-	-	31,131	31,131	(1,034)	30,097
Balance derecognised on disposal of subsidiary (note 24)	-	-	-	-	(29,369)	(29,369)
<b>Balance at 31 December 2012</b>	<b>431,476</b>	<b>2,144</b>	<b>31,543</b>	<b>465,163</b>	<b>13,472</b>	<b>478,635</b>
Balance at 1 January 2013	431,476	2,144	31,543	465,163	13,472	478,635
Fair value adjustment	-	2,491	-	2,491	-	2,491
Issuance of capital (note 15)	117,975	-	-	117,975	-	117,975
Dividends (note 29)	-	-	(30,204)	(30,204)	-	(30,204)
Net income for the year	-	-	38,648	38,648	430	39,078
<b>Balance at 31 December 2013</b>	<b>549,451</b>	<b>4,635</b>	<b>39,987</b>	<b>594,073</b>	<b>13,902</b>	<b>607,975</b>

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

**Qatar First Bank L.L.C**
**For the year ended 31 December 2013**
*(All amounts are expressed in United States Dollars thousands)*
**Consolidated statement of cash flows**

	Notes	2013	2012
<b>Operating activities</b>			
Net income for the year		39,078	30,097
<b>Adjustments for non-cash items in net income</b>			
Depreciation and amortization		6,417	12,608
Gain on sale of fixed assets		-	(62)
Unrealised gains on corporate investments	8.3	(66,568)	(8,904)
Gain on disposal of subsidiary		-	(27,288)
Gain on bargain purchase of a subsidiary		-	(8,539)
Provisions (net)		(250)	2,182
		<u>(21,323)</u>	<u>94</u>
<b>Changes in:</b>			
Investments carried at amortised cost		(22,126)	35,055
Due from financing activities		(23,550)	(59,457)
Accounts receivable		(13,212)	(8,604)
Inventories		643	(5,218)
Corporate investments		898	5,422
Investments in real estate		(4,942)	(6,419)
Other assets		(10,490)	(9,017)
Customers' account balances		84,082	-
Other liabilities		4,318	15,182
<b>Net cash used in operating activities</b>		<u>(5,702)</u>	<u>(32,962)</u>
<b>Investing activities</b>			
Purchase of fixed and intangible assets		(5,921)	(12,737)
Proceeds from disposal of fixed assets		1	140
Acquisition of subsidiary	23	-	(18,853)
Disposal of subsidiary	24	-	93,269
<b>Net cash (used in) / from investing activities</b>		<u>(5,920)</u>	<u>61,819</u>
<b>Financing activities</b>			
Proceeds from issuance of share capital	15	129,772	-
Share issuing expenses	15	(9,874)	-
Net change in financing from financial institutions		13,399	41,457
Dividends paid to shareholders		(28,248)	(24,679)
<b>Net cash from financing activities</b>		<u>105,049</u>	<u>16,778</u>
Net increase in cash and cash equivalent		<u>93,427</u>	<u>45,635</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>131,630</u>	<u>85,995</u>
<b>Cash and cash equivalents at the end of the year</b>		<u>225,057</u>	<u>131,630</u>

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

## **Notes to the consolidated financial statements**

### **1. Legal status and principal activities**

Qatar First Bank L.L.C (the “Bank”) 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 he Qatar Financial Centre Regulatory Authority (the “QFCRA”):

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

All the Bank’s activities are regulated by the QFC Regulatory Authority and are conducted in accordance with the Islamic Shari’a principles, as determined by the Shari’a Supervisory Board (SSB) and in accordance with the provisions of its Articles of Association. The Bank operates through its head office located in Suhaim bin Hamad Street, Doha, State of Qatar.

On 26 September 2012, the Board of Directors decided to change the Bank’s name from Qatar First Investment Bank to Qatar First Bank to better reflect the strategic evolution of its business model. The Bank’s name was changed during March 2013.

### **2. Significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are as given below.

#### **2.1. Basis of preparation**

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of corporate investments and investments in real estate at fair value. The consolidated financial statements of the Bank and its subsidiaries (“the Group”) have been prepared in accordance with the Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and Shari’a Rules and Principles as determined by the Shari’a Supervisor Board of the Bank, and International Financial Reporting Standards (“IFRS”), where AAOIFI guidance is not available.

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.1 Basis of preparation (continued)**

- New standard issued and adopted *FAS 26 Investment in real estate*

FAS 26 was issued by AAOIFI and is effective for financial periods commencing on 1 January 2013, earlier application is permitted. The Group has a early adopted the standard for the period started 1 January 2012; FAS 26 deals with the recognition, measurement, presentation and disclosures of investments in real estate.

The standard has been applied retroactively in accordance with the requirements of *FAS 1 General presentation and disclosures in the financial statements of Islamic Banks and Financial Institutions*.

#### **2.2. Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has directly or indirectly the power to govern the financial and operating policies (control) generally accompanying a shareholding of more than one half of the voting rights. 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.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement and within owners' equity in the consolidated statement of financial position, separately from the parent's owners' equity.

#### **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.



**Notes to the consolidated financial statements****2. Significant accounting policies (continued)****2.2 Subsidiaries (continued)**

The Bank has the following subsidiaries as at 31 December 2013 and 2012:

Subsidiaries	Activity	Effective ownership as at 31 December		Year of incorporation	Country
		2013	2012		
Future Card Industries LLC	Manufacturing	71.30%	71.30%	2012	UAE
Al Wasita Emirates for Catering Services LLC	Catering	85%	85%	2008	UAE
Isnad Catering Services WLL	Catering	75%	75%	2012	Qatar

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition (Bargain purchase or negative goodwill) is recognised directly in the consolidated income statement in the year of acquisition.

**Purchases and sales of non-controlling interests.** To account for transactions between shareholders of non- controlling interest the Group applies the economic entity model. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

**2.3. Foreign currencies****Functional and presentation currency**

The currency of the State of Qatar, in which the Bank is domiciled, is Qatari Riyals which is the functional currency. However, the results and financial position of the Bank are presented in United States Dollars, which is the presentation currency of the Bank.

**Transactions and balances**

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

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.3 Foreign currencies (continued)**

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

#### **Group companies**

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

- I. Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position,
- II. 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
- III. 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.

#### **2.4. Financial assets and liabilities**

##### **(i) 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.

##### **(ii) Derecognition**

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

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.4 Financial assets and liabilities (continued)**

- 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.

#### **2.5. Offsetting of financial assets and 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.

#### **2.6. 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 investment. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

#### **2.7. Investments 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.

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.8. Due from financing activities**

Financing activities comprise Murabaha contracts which are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit.

Due from financing activities 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.

#### **2.9. Accounts receivable**

Accounts receivable are stated at their cash equivalent value, which is the amount of debt due from the customers at the end of the financial period less any provision for doubtful debts. 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.

#### **2.10. 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 measured at costs 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.

#### **2.11. Corporate investments**

Corporate investments comprise of 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.

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.11 Corporate investments (continued)**

- Investments carried at fair value through equity

Equity type investments carried at fair value through equity are those equity instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity; these are designated as such at inception. Regular-way purchases and sales of these investments are recognised on the trade date which is the date on which the Group commits to purchase or sell the asset. These investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

These investments are subsequently re-measured at fair value and the resulting unrealised gains or losses are recognised in the consolidated statement of changes in equity under "Fair value reserves", until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement.

The fair value of quoted investments in active market is based on current bid price. If there is no active market for such financial assets, the Group establishes fair values using valuation techniques. These include the use of recent arm's length transactions and other valuation techniques used by other participants. The Group also refers to valuations carried out by investment managers in determining fair value of certain unquoted financial assets. Investments where fair value cannot be reliably measured are carried at cost less impairment loss, if any.

- Investments carried at fair value through income statement

An investment is classified at fair value through income statement if acquired or originated principally for the purpose of generating a profit from short term fluctuations in price or dealers margin, or designated at fair value through income statement if such designation eliminates an accounting mismatch or the investment is managed and its performance is evaluated internally by the management on a fair value basis. These investments are recognised on the acquisition date at fair value. At the end of each reporting period, investments are re-measured at their fair value and the gain/loss is recognised in the consolidated income statement. Fair value investments through income statement do not give rise to impairment issues as diminution in value due to impairment is already reflected in the fair value and, hence in the consolidated income statement.

#### *(b) Venture capital investments*

Venture capital investments are 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.

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.11 Corporate investments (continued)**

The investments are typically in business 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 income statement.

#### **2.12. Impairment**

##### **Impairment of financial assets**

The Group assesses impairment at each financial position 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 equity.

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

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

##### **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.

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.12 Impairment (continued)**

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.

#### **2.13. Investments in real estate**

Investments in real estate represent held-for-use real estate investments. 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 equity under investment fair value reserve.

In case of losses, they are then recognised in the 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 investment fair value reserve.

Investment in real estate are derecognised when they have been disposed off or 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.

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.14. Fixed assets**

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

<b>Category description</b>	<b>Years</b>
Plant and machinery	7-10
Building	20
Office equipment	3 - 5
Furniture and fixtures	3 - 7
Building renovations and fixtures	5-10
Motor vehicles	5

#### **2.15. Intangible assets**

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

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

Software & Core Banking System	5-7 years
Brand & Contractual relationships	5 years

#### **2.16. Goodwill**

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent assets acquired and contingent liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill resulted from a business combination is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.



## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.16 Goodwill (continued)**

Negative goodwill resulting from a business combination, being the excess of the fair value of the net assets acquired over the consideration paid at the date of acquisition is recognised as income in the consolidated income statement at the acquisition date.

For the purpose of impairment testing, goodwill is allocated to the cash-generating units within the Group that are expected to benefit from the synergies of the business combination.

When subsidiaries, associates and joint ventures are sold, the difference between the selling price and the net assets plus cumulative currency translation differences and related goodwill is recognised in the consolidated income statement.

#### **2.17. Recognition of income**

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

##### **Income from 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.

##### **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 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:

- a. the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c. the amount of revenue can be measured reliably;
- d. it is probable that the economic benefits associated with the transaction will flow to the Group; and
- e. 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 corporate investments**

Income from corporate investments is described in note 2.11.

## **Notes to the consolidated financial statements**

### **2. Significant accounting policies (continued)**

#### **2.18. Employees' 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.

#### **2.19. Provisions**

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

#### **2.20. 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.

#### **2.21. Zakah**

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

**Notes to the consolidated financial statements**

**3. Cash and cash equivalents**

	2013	2012
Cash on hand	725	330
Balances with banks (current accounts)	109,895	20,891
	<u>110,620</u>	<u>21,221</u>
Restricted bank balances *	2,625	104,803
Placement with financial institutions	111,812	5,606
	<u>114,437</u>	<u>110,409</u>
	<u>225,057</u>	<u>131,630</u>

Placements with financial institutions represent inter-bank placements in the form of Wakala investments. The average rate of return on Wakala investments is 0.59% per annum (2012: 0.43%).

\* An amount of USD 101 million as at 31 December 2012 represents the sale price received for the disposal of a subsidiary which has been subsequently released from the designated escrow account under the Group's name to the Group's current USD account on 3 January 2013.

**4. Investments carried at amortised cost**

	2013	2012
Investments in sukuk	74,600	52,400
Unamortised premiums and discounts, net	228	302
	<u>74,828</u>	<u>52,702</u>

The fair value of the Group's investments in sukuk portfolio amounted to USD 74.9 million (2012: USD 54.9 million).

**5. Due from financing activities**

	2013	2012
Murabaha finances	77,768	57,545
Accrued profits	5,239	1,912
	<u>83,007</u>	<u>59,457</u>

Murabaha finances, mainly represent Murabaha facilities provided to counter parties in the business of corporate investments. The average rate of return on Murabaha financing is 8.56% per annum (2012: 8.95% per annum).

## Notes to the consolidated financial statements

### 6. Accounts receivable

Accounts receivable comprises of the following:

	2013	2012
Trade debtors	33,949	20,737
Less: Provision for doubtful debts	(829)	(1,239)
	<u>33,120</u>	<u>19,498</u>

### 7. Inventories

Inventories comprise of the following:

	2013	2012
Raw materials	8,182	8,723
Semi finished goods	577	891
Finished goods	2,138	1,925
Less: Write down to net realisable value	(416)	(143)
	<u>10,481</u>	<u>11,396</u>

### 8. Corporate Investments

	2013	2012
Investments at fair value through equity	11,912	21,871
Investments at fair value through income statement	266,377	190,706
	<u>278,289</u>	<u>212,577</u>

#### 8.1. Investments at fair value through equity

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

	2013	2012
Unquoted*	7,222	7,222
Quoted**	4,690	4,310
Investment in a fund	-	10,339
	<u>11,912</u>	<u>21,871</u>

\* Due to non-availability of the fair value, the investment is carried at cost.

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

## Notes to the consolidated financial statements

### 8. Corporate Investments (continued)

#### 8.2. Investments at fair value through income statement

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

Investment Type	2013	2012
Venture capital investments	141,781	122,159
Other investments at fair value through income statement	124,596	68,547
	<u>266,377</u>	<u>190,706</u>

#### 8.3. The following summarises the movement in corporate investments during the year:

	2013			2012		
	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	21,871	190,706	212,577	9,968	200,466	210,434
Additions	-	28,044	28,044	10,000	54,114	64,114
Disposal*	(10,339)	(18,941)	(29,280)	-	(72,778)	(72,778)
Fair value adjustments	380	66,568	66,948	1,903	8,904	10,807
At the end of the year	<u>11,912</u>	<u>266,377</u>	<u>278,289</u>	<u>21,871</u>	<u>190,706</u>	<u>212,577</u>

\*The Group partially exited one of its venture capital investments during 2013 which resulted in a net capital gain of USD 7.6 million (2012: disposal of a venture capital investment resulting in a net capital gain of USD 3.3 million), that has been accounted for in the consolidated income statement.

#### 8.4. Fair value measurement

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

**Notes to the consolidated financial statements**

**8. Corporate Investments (continued)**

**8.4 Fair value measurement (continued)**

- (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

	Level 1	Level 2	Level 3	Total
<b>31 December 2013</b>				
Investments at fair value through equity	4,690	-	7,222	11,912
Investment at fair value through income statement *	83,186	-	183,191	266,377
Net gains and losses included in the consolidated statement of changes in equity	380	-	-	380
Net gains and losses, recognized through consolidated income statement	51,490	-	15,078	66,568
	Level 1	Level 2	Level 3	Total
<b>31 December 2012</b>				
Investments at fair value through equity	14,649	-	7,222	21,871
Investments at fair value through income statement	-	-	190,706	190,706
Net gains and losses included in the consolidated statement of changes in equity	1,903	-	-	1,903
Net gains and losses, recognized through consolidated income statement	-	-	8,904	8,904

\* The investment at fair value through income statement classified as level 1 during 2013 used to be classified as level 3 during 2012. The transfer to level 1 took place during 2013 due to the listing of the investee.

The below table summarises the valuation technique and inputs used in the fair value measurement at 31 December 2013 and 2012 for level three investments, measured at fair value:

	Valuation technique	Inputs used	Range of inputs	
			31 Dec 2013	31 Dec 2012
Investments at fair value through income statement	Discounted cash flows ("DCF")	Growth rate	1.5% to 5%	2.5% to 4.5%
		Discount rate	10% to 15.8%	10.5% to 14.7%

## Notes to the consolidated financial statements

### 8. Corporate Investments (continued)

#### 8.4 Fair value measurement (continued)

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 1.5% to 5% (2012: 2.5% to 4.5%) based on actual and expected performance of the investee. Should the growth rates increase / decrease by 1 percentage point (2012: 1 percentage point), the carrying value of the investments would be USD 19 million higher / USD 14 million lower (2012: USD 22 million higher/ USD 11 million lower);
- Discount rate. The discount rates are assumed to be in range of 10% -15.8% (2012:10.5 % - 14.7%) for different investments. Should these discount rates increase / decrease by 1 percentage point (2012: 1 percentage point), the carrying value of the investments would be USD 20 million lower / USD 25 million higher (2012: USD 19 million lower / USD 20 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 (2012: 1 percentage point), the carrying value of the investments would be USD 2 million higher / USD 2 million lower (2012: USD 1 million higher/ USD 2 million lower).

### 9. Investments in real estate

The following summarises the movement in investments in real estate during the year:

	2013	2012
At the beginning of year	54,142	19,760
Balance recognised on acquisition of subsidiary (note 23)	-	31,971
Addition	4,942	6,339
Transfer from fixed assets	-	8
Fair value adjustments	2,451	812
Balance derecognised on disposal of subsidiary	-	(4,748)
At the end of the year	<u>61,535</u>	<u>54,142</u>

Valuation of investment in real estate of 17.7 million was based on independent valuer who holds a recognised and relevant professional qualification in UAE. Valuation was based on latest transactions in the market. Remaining investment in real estate amounting 43.8 million was valued by management internally without any significant change of fair value as at 31 December 2013.

**Notes to the consolidated financial statements**

**10. Other assets**

Other assets comprise the followings:

	<b>2013</b>	<b>2012</b>
Other receivables	<b>8,397</b>	6,511
Prepayments	<b>14,586</b>	6,693
Refundable deposits	<b>1,434</b>	792
Due from related parties (note 22)	<b>742</b>	782
Due from employees	<b>347</b>	239
	<hr/>	<hr/>
Total	<b>25,506</b>	15,017
Provision for other receivables	-	(111)
	<hr/>	<hr/>
	<b>25,506</b>	14,906
	<hr/>	<hr/>



**Qatar First Bank L.L.C**

**For the year ended 31 December 2013**

*(All amounts are expressed in United States Dollars thousands)*

**Notes to the consolidated financial statements**

**11. Fixed assets**

	Plant and machinery	Land and buildings	Machinery and equipment	Furniture and fixture	Building renovation and fixtures	Motor vehicle	Capital work in progress	Total
<b>Cost</b>								
As at 1 January 2012	91,587	82,535	5,047	8,049	5,722	2,355	7,426	202,721
Balance recognised on acquisition of subsidiary	-	-	2,870	222	5	-	-	3,097
Additions	2,796	90	1,002	534	574	452	6,830	12,278
Transfers	5,944	3,525	345	4	82	67	(9,549)	418
Disposals	(23)	-	(272)	-	(12)	(351)	-	(658)
Balance derecognised on disposal of subsidiary	(82,331)	(66,513)	(2,050)	(987)	(5,779)	(2,084)	(4,645)	(164,389)
<b>As at December 31, 2012</b>	<b>17,973</b>	<b>19,637</b>	<b>6,942</b>	<b>7,822</b>	<b>592</b>	<b>439</b>	<b>62</b>	<b>53,467</b>
Additions	1,030	296	2,793	177	489	24	230	5,039
Transfers	62	-	-	-	-	-	(62)	-
Disposals	-	-	(1)	-	-	-	-	(1)
<b>As at December 31, 2013</b>	<b>19,065</b>	<b>19,933</b>	<b>9,734</b>	<b>7,999</b>	<b>1,081</b>	<b>463</b>	<b>230</b>	<b>58,505</b>

**Qatar First Bank L.L.C**

**For the year ended 31 December 2013**

*(All amounts are expressed in United States Dollars thousands)*

**Notes to the consolidated financial statements**

**11. Fixed assets (continued)**

	Plant and machinery	Land and buildings	Machinery and equipment	Furniture and fixture	Building renovation and fixtures	Motor vehicle	Capital work in progress	Total
<b>Accumulated depreciation</b>								
As at January 1, 2012	24,944	3,582	3,228	2,168	2,823	1,368	-	38,113
Balance recognised on acquisition of subsidiary	-	-	1,156	95	4	-	-	1,255
Depreciation charge*	5,953	1,705	1,162	1,194	911	442	-	11,367
Disposals/transfer	(10)	-	(254)	-	(6)	(267)	-	(537)
Balance derecognised on disposal of subsidiary	(22,348)	(4,105)	(821)	(425)	(3,376)	(1,322)	-	(32,397)
<b>As at December 31, 2012</b>	<b>8,539</b>	<b>1,182</b>	<b>4,471</b>	<b>3,032</b>	<b>356</b>	<b>221</b>	<b>-</b>	<b>17,801</b>
Depreciation charge*	964	228	1,570	1,182	53	62	-	4,059
Disposals/transfer	-	-	(1)	-	-	-	-	(1)
<b>As at December 31, 2013</b>	<b>9,503</b>	<b>1,410</b>	<b>6,040</b>	<b>4,214</b>	<b>409</b>	<b>283</b>	<b>-</b>	<b>21,859</b>
<b>Net book amount</b>								
<b>As at 31 December 2012</b>	<b>9,434</b>	<b>18,455</b>	<b>2,471</b>	<b>4,790</b>	<b>236</b>	<b>218</b>	<b>62</b>	<b>35,666</b>
<b>As at 31 December 2013</b>	<b>9,562</b>	<b>18,523</b>	<b>3,694</b>	<b>3,785</b>	<b>672</b>	<b>180</b>	<b>230</b>	<b>36,646</b>

\*Depreciation charge includes an amount of USD 2,380 thousand (2012: US \$9,742 thousand) which relates to non-banking activities.

**Notes to the consolidated financial statements**

**12. Intangible assets**

	Software and Core Banking System	Brand and Contractual Relation- ships	Total
<b>At 1 January 2012</b>			
<b>Cost:</b>			
Beginning balance	3,254	-	3,254
Additions during the year	501	-	501
Intangible assets identified in the process of acquisition of a subsidiary (Note 23)	-	9,607	9,607
<b>At 31 December 2012</b>	<b>3,755</b>	<b>9,607</b>	<b>13,362</b>
<b>Amortisation</b>			
Beginning balance	1,338	-	1,338
Amortisation charge for the year	501	741	1,242
<b>At 31 December 2012</b>	<b>1,839</b>	<b>741</b>	<b>2,580</b>
<b>Net book value as at 31 December 2012</b>	<b>1,916</b>	<b>8,866</b>	<b>10,782</b>
<b>As at 1 January 2013</b>			
<b>Cost:</b>			
Beginning balance	3,755	9,607	13,362
Additions during the year	882	-	882
<b>At 31 December 2013</b>	<b>4,637</b>	<b>9,607</b>	<b>14,244</b>
<b>Amortisation</b>			
Beginning balance	1,839	741	2,580
Amortisation charge for the year*	585	1,773	2,358
<b>At 31 December 2013</b>	<b>2,424</b>	<b>2,514</b>	<b>4,938</b>
<b>Net book value at 31 December 2013</b>	<b>2,213</b>	<b>7,093</b>	<b>9,306</b>

\*Amortisation charges included an amount of USD 1,773 (2012: US \$741 thousands) which relates to non-banking activities.

**Notes to the consolidated financial statements**

**13. Financing from financial institutions**

	2013	2012
Bank facilities	23,034	12,604
Bank overdraft	1,002	3,251
Murabaha financing	46,522	57,222
Ijara financing	8,169	-
Accepted wakala deposits	12,750	5,001
	<u>91,477</u>	<u>78,078</u>

As at 31 December 2013, shares with carrying amount of USD 43 million were pledged against murabaha financing (31 December 2012: nil).

**14. Other liabilities**

	2013	2012
Accounts payable	19,026	15,704
Staff-related payables	14,837	9,865
Other payables	10,275	3,866
Accrued expenses	6,013	13,650
Due to related parties (note 22)	332	1,013
Unearned revenue	75	218
Dividends payable	3,683	1,727
	<u>54,241</u>	<u>46,043</u>

Accounts payable represents mainly amounts due to various suppliers originated from regular business activities undertaken by Group's subsidiaries.

**15. Share capital**

	2013	2012
<b>Authorised:</b>		
200,000,000 ordinary shares (2012: 1,000,000,000 ordinary shares) of QAR 10 each (2012: USD 1 each)	<u>549,451</u>	<u>1,000,000</u>
<b>Issued and paid:</b>		
200,000,000 ordinary shares (2012: 862,952,155 ordinary shares) of QAR 10 each (2012: USD 1, paid USD 0.5 each)	<u>549,451</u>	<u>431,476</u>

**Notes to the consolidated financial statements**

**15. Share capital (continued)**

In the General Assembly Meeting, held in 3 April 2012, the shareholders of the Bank approved a capital restructuring aimed at denominating the share capital into Qatari Riyals, involving a currency change of the par value from USD 1 to QAR 10 per share and the new authorised capital of the Bank to QAR 2 billion (USD 549 million). In addition, the unpaid portion of each share as at 31 December 2012 was waived so that issued and paid capital then amounted to QAR 1,571 million (USD 431 million).

During 2013 the Bank received QAR 472.3 million (USD 129.7 million) in relation to the issuance of 42,942,708 shares at par value with a premium of QAR 42.9 million (USD 11.8 million). The Bank had incurred share issuance expense amounting to QAR 42.9 million (USD 11.8 million) which has been adjusted against the share premium amount.

**16. Revenue and expenses from non-banking activities**

	2013	2012
Sales	85,945	43,070
Other income	1,024	618
Revenue from non-banking activities	86,969	43,688
Cost of sales	(61,299)	(31,499)
Other expenses	(20,705)	(13,105)
Finance costs	(2,822)	(4,241)
Non-banking activity expenses	(84,826)	(48,845)
Net income/(loss) from non-banking activities	2,143	(5,157)

**17. Other income**

	2013	2012
Rental income	3,595	3,545
Advisory fees	320	15
Arrangement and participation fees	507	-
Other (expense)/income	(522)	804
	3,900	4,364

## Notes to the consolidated financial statements

### 18. Other operating expenses

	2013	2012
Rent expense	6,747	6,198
Directors' remuneration	2,428	2,907
Professional services	3,385	4,923
Other general and administrative expenses	2,100	1,806
Business trip expenses	1,592	2,319
Public relations and advertising	1,198	679
IT expenses	977	826
Building maintenance and utilities	400	525
Information service	245	249
Social responsibility	111	195
	<u>19,183</u>	<u>20,627</u>

### 19. Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to the Banks' Owners and the number of shares outstanding during the year.

	2013	2012
<b>Basic earnings per share from continuing operations</b>		
Net profit attributable to the owners of the parent	38,648	23,636
Total weighted average number of shares	<u>171,327</u>	<u>157,057</u>
Basic earnings per share (US cents)	<u>22.56</u>	<u>15.05</u>
<b>Basic earnings per share from discontinued operations</b>		
Net profit attributable to the owners of the parent	-	7,495
Total weighted average number of shares	<u>-</u>	<u>157,057</u>
Basic earnings per share (US cents)	<u>-</u>	<u>4.77</u>
<b>Total earnings per share from continued and discontinued operations</b>	<u>22.56</u>	<u>19.82</u>

Since no dilutive impact, basic earnings per share equal the dilutive earning per share. Calculation of prior year's EPS has been restated using the new applied capital structure during 2013 for comparability purposes (Note 15).

**Notes to the consolidated financial statements**

**20. Contingent liabilities**

The Group had the following contingent liabilities as at 31 December:

	2013	2012
Letters of credit	-	410
Letters of guarantee	8,251	3,285
Total contingent liabilities	<u>8,251</u>	<u>3,695</u>

**21. Commitments**

	2013	2012
Commitment for operating lease		
Later than one year	40,037	44,125
No later than one year	7,290	6,535
	<u>47,327</u>	50,660
Investment-related commitments	-	18,313
Commitment for operating & capital expenditure	6,458	828
	<u>53,785</u>	<u>69,801</u>

**22. Related parties transactions and balances**

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

**a) Due from related parties**

	2013	2012
Affiliated entities	<u>742</u>	<u>782</u>

Due from related parties balance is included under other assets (note 10).

**b) Due to related parties**

	2013	2012
Affiliated entities	<u>332</u>	<u>1,013</u>

Due from related parties balance is included under other liabilities (note 14).

**Notes to the consolidated financial statements**

**22. Related parties transactions and balances (continued)**

**c) Compensation of key management personnel**

	2013	2012
Salaries and short term benefits of senior management	8,329	5,667
Directors' remuneration	2,345	2,145
Shari'a supervisory board remunerations	141	143
	10,815	7,955

d) During the year of 2013, an amount of USD 11.79 million (2012: nil) was paid/payable to some of the directors for their contribution in raising capital.

**23. Business combinations**

On 31 July 2012, the Group acquired 85% of the share capital of a company and obtained control through its ability to cast a majority of votes in the general meeting of shareholders. This transaction resulted in recognition of a gain on a bargain purchase of a subsidiary amounted to USD 8,539 thousand and net cash out flow of USD 18,853 thousand in consolidated financial statements of the Group for the year ended 31 December 2012.

**24. Discontinued operations**

During 2012, the Group had legally restructured the ownership of its former subsidiary Emirates National Factory for Plastic Industries LLC for the purposes of spinning of the business into technology and packaging divisions. This process resulted in carving out some of the group companies into a new sub group representing the packaging division which was then disposed of on 30 December 2012. This transaction resulted in recognition of a capital gain of USD 27,288 thousand and net cash inflow of USD 93,269 thousand in consolidated financial statements of the Group for the year ended 31 December 2012. Net income after tax from discontinued operations of USD 10,632 thousand was recognised in consolidated income statement for the year ended 31 December 2012.

**25. 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 Group's SSB and notified to the Owners. Zakah payable by the Owners, for the year ended 31 December 2013 was US cents 4.85 for every share held (2012: US cents 4.44). As new shareholders joined through the increase of share capital; and their invested funds in the bank remained only for a specific period of time, therefore, zakat is calculated according to the period.



## **Notes to the consolidated financial statements**

### **26. Significant accounting judgements and estimates**

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

- **Classification of financial instruments**

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

- **Classification of assets held-for-sale**

The Bank classifies non-current assets or disposal groups (including subsidiaries) as 'held-for-sale' if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use and the sale is expected to be completed within one year from the date of classification. The expected time of completion of sale and management's plan to sell is based on management assumptions in relation to the condition of the asset and its current performance and requires judgement. There is no certainty on the execution and completion of the sale transaction and any changes in the plan to sell may cause the classification of the disposal group to be changed and consequently the basis of measurement, presentation and disclosure in the consolidated financial statements.

- **Fair value of corporate 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 8.

- **Useful lives of tangible and intangible assets**

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

## **Notes to the consolidated financial statements**

### **27. Financial instruments and related risk management**

#### **Financial instruments definition and classification**

Financial instruments comprise of all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks and other financial institutions, financial investments and financing to banks. Financial liabilities include customer balances, due to banks and financial institutions. Financial instruments also include contingent liabilities and commitments included in off financial position items.

Note 2 explains the accounting policies used to recognise and measure the significant financial instruments and their respective income and expenses items.

#### **Fair value of financial instruments**

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

Fair value is determined for each investment individually in accordance with the valuation policies adopted by the Group as set out in note 2.11.

#### **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), the two Board's subcommittees (Executive Committee and Audit and Risk Committee), 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.

## **Notes to the consolidated financial statements**

### **27. Financial instruments and related risk management (continued)**

#### **Risk framework and governance (continued)**

The Audit and Risk 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 and Risk Committee whilst also working closely with the business units which ultimately own and manage the risks. The Head of the Risk Management Department (the Chief Risk Officer) reports to the Audit and Risk Committee and has access to the Chairman and other Board members.

#### **Investment risk**

Private equities investment risks are identified and assessed via extensive due diligence activities conducted by the respective investment departments. The Group's investments in private equity 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. The Group's maximum exposure to investment risk is equal to carrying amount of investments.

#### **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 components of the financial position.

	<b>2013</b>	<b>2012</b>
Balances with banks	<b>112,520</b>	125,694
Placements with financial institutions	<b>111,812</b>	5,606
Due from financing activities	<b>83,007</b>	59,457
Accounts receivable	<b>33,120</b>	19,498
Other assets	<b>25,506</b>	14,906
Investments carried at amortised cost	<b>74,828</b>	52,702
	<b>440,793</b>	277,863

**Notes to the consolidated financial statements**

**27. Financial instruments and related risk management (continued)**

**Credit risk (continued)**

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

	<b>2013</b>	<b>2012</b>
AAA to A-	<b>196,456</b>	125,734
BBB+ to B-	<b>99</b>	301
Unrated	<b>27,777</b>	5,265

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. At 31 December 2013 the Group had balances with a counterparty bank (2012: 1 bank) with aggregated amounts above USD 70 million. The total aggregate amount of these deposits was USD 88,643 thousand (2012: USD 101,926 thousand).

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

	<b>2013</b>	<b>2012</b>
Qatar	<b>143,995</b>	26,893
United Arab Emirates	<b>117,374</b>	65,548
Asia & Middle East	<b>53,561</b>	143,083
North America	<b>88,669</b>	10,201
Europe & Others	<b>37,194</b>	32,138
	<b>440,793</b>	277,863

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

	<b>2013</b>	<b>2012</b>
Financial services	<b>296,351</b>	179,563
Industrial	<b>24,006</b>	11,333
Real estate and construction	<b>28,201</b>	30,872
Technology	<b>3,375</b>	2,404
Oil & gas	<b>51,914</b>	34,251
Others	<b>36,946</b>	19,440
	<b>440,793</b>	277,863

**Notes to the consolidated financial statements**

**27. Financial instruments and related risk management (continued)**

**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.

**Notes to the consolidated financial statements****27. 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.

At 31 December 2013	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
<b>Assets</b>							
Cash and cash equivalents	110,595	111,812	-	2,650	-	-	225,057
Investments carried at amortised cost	-	-	-	-	74,828	-	74,828
Accounts receivable	-	16,348	4,750	11,337	685		33,120
Corporate investments	-	-	-	100,693	177,596	-	278,289
Investments in real estate	-	-	-	-	17,699	43,836	61,535
Due from financing activities	-	1,594	8,300	-	73,113	-	83,007
Other assets	-	5,451	2,782	8,507	8,497	269	25,506
<b>Total financial assets</b>	<b>110,595</b>	<b>135,205</b>	<b>15,832</b>	<b>123,187</b>	<b>352,418</b>	<b>44,105</b>	<b>781,342</b>
<b>Liabilities</b>							
Financing from financial institutions	-	32,513	7,223	3,661	48,080	-	91,477
Customers account balances	6,436	68,271	9,375	-	-	-	84,082
Other liabilities	3,683	28,739	8,443	6,061	2,649	4,666	54,241
<b>Total financial liabilities</b>	<b>10,119</b>	<b>129,523</b>	<b>25,041</b>	<b>9,722</b>	<b>50,729</b>	<b>4,666</b>	<b>229,800</b>
<b>Net liquidity gap</b>	<b>100,476</b>	<b>5,682</b>	<b>(9,209)</b>	<b>113,465</b>	<b>301,689</b>	<b>39,439</b>	<b>551,542</b>
<b>Net cumulative gap</b>	<b>100,476</b>	<b>106,158</b>	<b>96,949</b>	<b>210,414</b>	<b>512,103</b>		

**Notes to the consolidated financial statements****27. 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.

At 31 December 2012	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
<b>Assets</b>							
Cash and cash equivalents	125,773	5,857	-	-	-	-	131,630
Investments carried at amortised cost	-	-	-	-	52,702	-	52,702
Accounts receivable	-	12,388	4,864	2,246	-	-	19,498
Corporate investments	-	-	-	80,077	132,500	-	212,577
Investments in real estate	-	-	-	-	-	54,142	54,142
Due from financing activities	-	-	-	-	59,457	-	59,457
Other assets	-	5,043	1,244	3,524	3,375	1,720	14,906
<b>Total financial assets</b>	<b>125,773</b>	<b>23,288</b>	<b>6,108</b>	<b>85,847</b>	<b>248,034</b>	<b>55,862</b>	<b>544,912</b>
<b>Liabilities</b>							
Financing from financial institutions	-	58,042	9,060	2,076	8,900	-	78,078
Other liabilities	1,727	26,485	6,935	7,001	92	3,803	46,043
<b>Total financial liabilities</b>	<b>1,727</b>	<b>84,527</b>	<b>15,995</b>	<b>9,077</b>	<b>8,992</b>	<b>3,803</b>	<b>124,121</b>
<b>Net liquidity gap</b>	<b>124,046</b>	<b>(61,239)</b>	<b>(9,887)</b>	<b>76,770</b>	<b>239,042</b>	<b>52,059</b>	<b>420,791</b>
<b>Net cumulative gap</b>	<b>124,046</b>	<b>62,807</b>	<b>52,920</b>	<b>129,690</b>	<b>368,732</b>		

## **Notes to the consolidated financial statements**

### **27. Financial instruments and related risk management (continued)**

#### **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 corporate investments*

The Group has certain exposure to equity price risk mainly due to some corporate investments being listed in stock exchanges. At 31 December 2013, if equity prices at that date had been 5% higher/lower with all other variables held constant, net income for the year would have been USD 4,159 thousand (2012: nil) higher/lower and fair value reserve would have been USD 235 thousand (2012: USD 732 thousand) higher/lower.

##### *(b) Non-listed corporate investments*

Sensitivities on non-listed corporate investments are disclosed in note 8.

#### **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 "Due from financing activities"); and
- Amounts borrowed by the Group from financial institutions (classified as "Financing from financial institutions").

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.



**Notes to the consolidated financial statements**

**27. Financial instruments and related risk management (continued)**

**Profit rate risk (continued)**

	2013	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	111,812	100	1,118
Investments carried at amortised cost	74,828	100	748
Due from financing activities	83,007	100	830
<b>Liabilities</b>			
Customers' account balances	84,082	100	(841)
Financing from financial institutions	91,477	100	(915)
			940
	2012	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	5,606	100	56
Investments carried at amortised cost	52,702	100	527
Due from financing activities	59,457	100	595
<b>Liabilities</b>			
Financing from financial institutions	78,078	100	(781)
			397

**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 US Dollars and, hence the foreign exchange risk for the Group in respect of these currencies is minimal.

	Exposure (USD equivalent)	
Currency	2013	2012
QAR	91,970	9,770
AED	133,813	93,985
SAR	2	2

## Notes to the consolidated financial statements

### 27. Financial instruments and related risk management (continued)

The table below shows the impact of a 20% movement in the currency rate, for other than those pegged to the United States Dollars, against the United States Dollars, 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.

	Exposure (USD equivalent)		Effect on net profit (+/-)	
	2013	2012	2013	2012
<b>Currency</b>				
GBP	26,436	28,594	5,287	5,719
EUR	1,770	2,029	354	406
JOD	166	211	33	42
TRY	109,000	99,000	21,800	19,800
KWD	9	10	2	2
			<u>27,476</u>	<u>25,969</u>

### Commodities price risk

The Group does not currently have 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.

## **Notes to the consolidated financial statements**

### **27. Financial instruments and related risk management (continued)**

#### **Concentration risk (continued)**

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to focus on maintaining a diversified portfolio. Identified concentrations of investment and funding risks are controlled and managed accordingly.

#### **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 positive prescribed ratio of total capital to total risk-weighted assets.

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

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and minority interests 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-financial position 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 period. The Group's capital adequacy ratio, calculated in accordance with the capital adequacy guidelines issued by the QFCRA, is as follows:

## Notes to the consolidated financial statements

### 27. Financial instruments and related risk management (continued)

#### Capital management (continued)

	2013	2012
<b>Total risk weighted assets</b>	<b>514,748</b>	<b>368,138</b>
Tier 1 Capital	580,132	452,237
Share capital	549,451	431,476
Retained earnings	39,987	31,543
Intangible assets	(9,306)	(10,782)
<b>Tier 2 Capital: Fair value reserve</b>	<b>4,635</b>	<b>2,144</b>
<b>Total capital resources</b>	<b>584,767</b>	<b>454,381</b>
<b>Total capital resources expressed as a percentage of total risk weighted assets</b>	<b>113.60%</b>	<b>123.43%</b>

### 28. Segment information

For management purposes, the Group is organised into five business segments:

#### Private equity

Private equity business is primarily responsible to acquire large or significant stakes, with board representation, in well managed companies that have strong, established market positions and the potential to develop and expand. The private equity 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, but remains opportunistic to attractive investment propositions outside of the geographies identified.

The venture capital investments are managed by the business teams.

#### Strategic investment

The Group's strategic investments business is primarily responsible for acquiring energy, oil and gas, real estate and financial service businesses, opening new offices and securing the appropriate banking licenses in order to expand the global footprint.

#### Treasury

The Group's treasury business provides funding and liquidity. Treasury is currently focused on meeting the Group's internal cash management needs and enhancing returns on cash.

#### Corporate finance

The Group's corporate finance business provides advisory services to clients on transactions, corporate restructurings, recapitalization and divestments.

**Notes to the consolidated financial statements**

**28. Segment information** (continued)

**Other**

Other comprises the central management, commercial banking and support functions of the Group.

*(a) Information about reportable segment assets and liabilities*

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

**Notes to the consolidated financial statements****28. Segment information (continued)***(b) Information about reportable profit and loss*

Below is the distribution of the net income by segment in which the transaction has been recognised during the year:

	Private equity	Strategic invest- ments	Corporate finance	Treasury	Other	Total
<b>At 31 December 2013</b>						
<b>Income</b>						
Revenue from non-banking activities	86,969	-	-	-	-	86,969
Gain on re-measurement of investments at fair value through statement of net income	62,990	3,578	-	-	-	66,568
Dividends income	288	-	-	-	-	288
Profit on investments carried at amortised cost	-	-	-	2,456	-	2,456
Gain on disposal of investments carried at amortised cost	-	-	-	1,132	-	1,132
Gain on disposal of corporate investments	7,628	-	-	-	314	7,942
Income from financing activities	-	6,865	-	(38)	59	6,886
Other income	-	276	-	-	3,624	3,900
<b>Total income</b>	<b>157,875</b>	<b>10,719</b>	<b>-</b>	<b>3,550</b>	<b>3,997</b>	<b>176,141</b>
<b>Expenses</b>						
Non-banking activity expenses	84,826	-	-	-	-	84,826
Staff costs	5,185	3,759	1,775	1,373	18,699	30,791
Other operating expenses	-	-	-	-	19,183	19,183
Depreciation and amortization expenses	-	-	-	-	2,263	2,263
<b>Total expenses</b>	<b>90,011</b>	<b>3,759</b>	<b>1,775</b>	<b>1,373</b>	<b>40,145</b>	<b>137,063</b>
Net income (loss) before tax	67,864	6,960	(1,775)	2,177	(36,148)	39,078
Income Tax	-	-	-	-	-	-
<b>Net income(loss) for the year</b>	<b>67,864</b>	<b>6,960</b>	<b>(1,775)</b>	<b>2,177</b>	<b>(36,148)</b>	<b>39,078</b>

**Notes to the consolidated financial statements**

**28. Segment information (continued)**

Below is the distribution of the net income by segment in which the transaction has been recognised during the period:

	Private equity	Strategic invest- ments	Corpo- rate Finance	Treasury	Other	Total
<b>At 31 December 2012</b>						
<b>Income</b>						
Revenue from non-banking activities	225,531	-	-	-	-	225,531
Gain on re-measurement of investments at fair value through statement of net income	8,904	-	-	-	-	8,904
Dividends income	14,758	449	-	-	-	15,207
Profit on investments carried at amortised cost	-	-	-	3,087	-	3,087
Bargain purchase gain on acquisition of subsidiary	8,539	-	-	-	-	8,539
Gain on disposal of investments carried at amortised cost	-	-	-	3,750	-	3,750
Gain on disposal of corporate investments	-	3,339	-	-	-	3,339
Gain on disposal of subsidiary	27,288	-	-	-	-	27,288
Income financing activities	-	1,906	-	(69)	-	1,837
Other income	229	542	15	-	3,578	4,364
<b>Total income</b>	<b>285,249</b>	<b>6,236</b>	<b>15</b>	<b>6,768</b>	<b>3,578</b>	<b>301,846</b>
<b>Expenses</b>						
Non-banking activity expenses	220,056	-	-	-	-	220,056
Staff costs	5,460	4,323	2,066	1,316	15,775	28,940
Other operating expenses	-	-	-	-	20,627	20,627
Depreciation and amortization expenses	-	-	-	-	2,126	2,126
<b>Total expenses</b>	<b>225,516</b>	<b>4,323</b>	<b>2,066</b>	<b>1,316</b>	<b>38,528</b>	<b>271,749</b>
Net income (loss) before tax	59,733	1,913	(2,051)	5,452	(34,950)	30,097
Income Tax	-	-	-	-	-	-
<b>Net income (loss) for the year</b>	<b>59,733</b>	<b>1,913</b>	<b>(2,051)</b>	<b>5,452</b>	<b>(34,950)</b>	<b>30,097</b>

Total income and expenses for the year include the results of discontinued operations USD 181m and USD 171m respectively (Note 24).

**Notes to the consolidated financial statements**

**28. Segment information (continued)**

**Geographical segment information**

The Group currently operates in two geographic markets namely Qatar and Asia/Middle East.

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.

<b>31 December 2013</b>	<b>Qatar</b>	<b>Asia/ Middle East</b>	<b>Total</b>
<b>Income</b>			
Revenue from non-banking activities	551	86,418	86,969
Gain on re-measurement of investments at fair value through income statement	-	66,568	66,568
Dividends income	288	-	288
Profit on investments carried at amortised cost	286	2,170	2,456
Gain on disposal of investment carried at amortised cost	-	1,132	1,132
Gain on disposal of corporate investments	-	7,942	7,942
Income from financing activities	242	6,644	6,886
Other income	3,782	118	3,900
<b>Total income</b>	<b>5,149</b>	<b>170,992</b>	<b>176,141</b>
<b>Expenses</b>			
Non-banking activity expenses	954	83,872	84,826
Staff costs	30,791	-	30,791
Other operating expenses	19,183	-	19,183
Depreciation and amortisation expenses	2,263	-	2,263
<b>Total expenses</b>	<b>53,191</b>	<b>83,872</b>	<b>137,063</b>
Income (loss) before tax	(48,042)	87,120	39,078
Income Tax	-	-	-
<b>Net income (loss) for the year</b>	<b>(48,042)</b>	<b>87,120</b>	<b>39,078</b>



**Notes to the consolidated financial statements**

**28. Segment information (continued)**

**Geographical segment information**

31 December 2012	Qatar	Asia/ Middle East	Total
<b>Income</b>			
Revenue from non-banking activities	-	225,531	225,531
Gain on re-measurement of investments at fair value through income statement	-	8,904	8,904
Dividends income	-	15,207	15,207
Profit on investments carried at amortised cost	73	3,014	3,087
Bargain purchase gain on acquisition of subsidiary	-	8,539	8,539
Gain on disposal of investment carried at amortised cost	-	3,750	3,750
Gain on disposal of corporate investment	3,339	-	3,339
Gain on disposal of subsidiary	-	27,288	27,288
Income from financing activities	8	1,829	1,837
Other income	3,836	528	4,364
<b>Total income</b>	<b>7,256</b>	<b>294,590</b>	<b>301,846</b>
<b>Expenses</b>			
Non-banking activity expenses	330	219,726	220,056
Staff costs	28,940	-	28,940
Other operating expenses	20,627	-	20,627
Depreciation and amortisation expenses	2,126	-	2,126
<b>Total expenses</b>	<b>52,023</b>	<b>219,726</b>	<b>271,749</b>
Income (loss) before tax	(44,767)	74,864	30,097
Income Tax	-	-	-
<b>Net income (loss) for the year</b>	<b>(44,767)</b>	<b>74,864</b>	<b>30,097</b>

Total income and expenses for the year include the results of discontinued operations amounting USD 181 million and USD 171 million, respectively (Note 24).

**29. Dividends**

In its Board of Directors meeting held on 3 March 2013, the Bank's Board of Directors proposed a cash dividends of USD 30.2 million, which represents 7% (2012: 6%) of the paid up capital as of that date. In its General Assembly Meeting held on 30 May 2013, the shareholders of the Bank approved the aforementioned dividend amount.

**Notes to the consolidated financial statements**

**30. Comparative figures**

Where necessary, corresponding figures are reclassified to conform to current year presentation. During the year, certain comparative amounts in the consolidated statement of cash flows were reclassified to maintain comparability.

Consolidated financial statements  
31 December 2014



## **Independent Auditor's Report to the Shareholders of Qatar First Bank L.L.C**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Qatar First Bank L.L.C (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the related consolidated net income and consolidated statements of changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Directors' responsibility for the consolidated financial statements**

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Shari'a. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards 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 disclosures 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 consolidated financial statement presentation. 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 financial position of the Group as at 31 December 2014 and of the results of its operations, its cash flows, and changes in owners' equity for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.



**Independent Auditor's Report to the Shareholders  
of Qatar First Bank L.L.C (continued)**

A handwritten signature in blue ink, appearing to read 'ME' or similar, enclosed within a blue oval.

Signed by  
Mohamed Elmoataz

Auditor's registration number 281  
5 March 2015

**Consolidated statement of financial position**

	Notes	2014	2013
<b>Assets</b>			
Cash and cash equivalents	3	246,154	225,057
Investments carried at amortised cost	4	205,555	74,828
Financing assets	5	228,969	83,007
Accounts receivable	6	36,724	33,120
Inventories	7	12,511	10,481
Corporate investments	8	405,760	278,289
Investments in real estate	9	75,033	61,535
Fixed assets	10	37,659	36,646
Intangible assets	11	9,448	9,306
Other assets	12	24,475	25,506
<b>Total Assets</b>		<b>1,282,288</b>	<b>837,775</b>
<b>Liabilities, equity of unrestricted investment account holders, non-controlling interest and owners' equity</b>			
<b>Liabilities</b>			
Due to banks	13	115,227	91,477
Customers' current accounts		7,245	15,811
Other liabilities	14	53,333	54,241
<b>Total liabilities</b>		<b>175,805</b>	<b>161,529</b>
<b>Equity of unrestricted investment account holders</b>	15	<b>499,042</b>	<b>68,271</b>
<b>Non-controlling interest</b>	16	<b>14,264</b>	<b>13,902</b>
<b>Liabilities, equity of unrestricted investment account holders and non-controlling interest</b>		<b>689,111</b>	<b>243,702</b>
<b>Owners' equity</b>			
Share capital	17	549,451	549,451
Fair value reserves		(866)	4,635
Retained earnings		44,592	39,987
<b>Total owners' equity</b>		<b>593,177</b>	<b>594,073</b>
<b>Total liabilities, equity of unrestricted investment account holders, non-controlling interest and owners' equity</b>		<b>1,282,288</b>	<b>837,775</b>

These consolidated financial statements were approved by the Board of Directors on 5 March 2015 and signed on their behalf by:

Abdulla bin Fahad bin Ghorab Al Marri  
Chairman

Ahmad Meshari Muhaidi  
Acting Chief Executive Officer

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements.

**Consolidated income statement**

	Notes	2014	2013
<b>Income</b>			
Income from assets attributable to unrestricted investment accounts	15	8,585	-
Less: return on unrestricted investment accounts and impairment provisions		(7,526)	-
Group's share of Income from unrestricted investment accounts as Mudarib		1,059	-
Revenue from non-banking activities	18	98,105	86,969
Gain on re-measurement of investments at fair value through income statement	8.3	65,840	66,568
Dividend income		5,883	288
Profit on investments carried at amortised cost		1,089	2,456
Gain on disposal of investments carried at amortised		-	1,132
Gain on disposal of corporate investments	8.3	2,947	7,942
Income from financing activities		7,217	6,886
Other income	19	4,649	3,900
<b>Total income</b>		<b>186,789</b>	<b>176,141</b>
<b>Expenses</b>			
Non-banking activity expenses	18	96,150	84,826
Staff costs		25,235	30,791
Other operating expenses	20	17,501	19,128
Financing costs		1,828	55
Depreciation and amortisation		2,352	2,263
<b>Total expenses</b>		<b>143,066</b>	<b>137,063</b>
<b>Net income before tax</b>		<b>43,723</b>	<b>39,078</b>
Income tax		-	-
<b>Net income</b>		<b>43,723</b>	<b>39,078</b>
<b>Attributable to:</b>			
Owners of the Bank		43,518	38,648
Non-controlling interest		205	430
		<b>43,723</b>	<b>39,078</b>
Basic/Diluted earnings per share – US cents	21	<b>21.76</b>	<b>22.56</b>

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

**Qatar First Bank L.L.C**

**For the year ended 31 December 2014**

*(All amounts are expressed in United States Dollars thousands)*



**Consolidated statement of changes in owners' equity**

	<u>Share capital</u>	<u>Fair value reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at 1 January 2013	431,476	2,144	31,543	465,163
Fair value adjustments related to investment properties	-	2,451	-	2,451
Fair value adjustments related to corporate investments	-	40	-	40
Issuance of capital	117,975	-	-	117,975
Dividends (note 29)	-	-	(30,204)	(30,204)
Net income for the year	-	-	38,648	38,648
<b>Balance at 31 December 2013</b>	<b>549,451</b>	<b>4,635</b>	<b>39,987</b>	<b>594,073</b>
Balance at 1 January 2014	549,451	4,635	39,987	594,073
Fair value adjustment related to investment properties	-	1,586	-	1,586
Fair value adjustments related to corporate investments	-	(7,087)	-	(7,087)
Dividends (note 29)	-	-	(38,913)	(38,913)
Net income for the year	-	-	43,518	43,518
<b>Balance at 31 December 2014</b>	<b>549,451</b>	<b>(866)</b>	<b>44,592</b>	<b>593,177</b>

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements



**Consolidated statement of cash flows**

	Notes	2014	2013
<b>Operating activities</b>			
Net income for the year		43,723	39,078
<b>Adjustments for non-cash items in net income</b>			
Depreciation and amortization		6,903	6,417
Return on unrestricted investment accounts		7,526	-
Unrealised gains on corporate investments	8.3	(65,840)	(66,568)
Provisions (net)		141	(250)
		<u>(7,547)</u>	<u>(21,323)</u>
<b>Changes in:</b>			
Investments carried at amortised cost		(130,727)	(22,126)
Financing assets		(145,960)	(23,550)
Accounts receivable		(3,474)	(13,212)
Inventories		(2,303)	643
Corporate investments		(68,718)	898
Investments in real estate		(11,756)	(4,942)
Other assets		1,031	(10,490)
Customers' current accounts		(8,566)	15,811
Other liabilities		(2,356)	4,318
<b>Net cash used in operating activities</b>		<u>(380,376)</u>	<u>(73,973)</u>
<b>Investing activities</b>			
Purchase of fixed and intangible assets		(8,059)	(5,921)
Proceeds from disposal of fixed assets		1	1
<b>Net cash used in investing activities</b>		<u>(8,058)</u>	<u>(5,920)</u>
<b>Financing activities</b>			
Net increase in unrestricted investment accounts		423,245	68,271
Proceeds from issuance of share capital		-	129,772
Share issuing expenses		-	(9,874)
Net change in due to banks		23,750	13,399
Dividends paid to shareholders		(37,464)	(28,248)
<b>Net cash from financing activities</b>		<u>409,531</u>	<u>173,320</u>
<b>Net increase in cash and cash equivalent</b>		21,097	93,427
Cash and cash equivalents at the beginning of the year		<u>225,057</u>	<u>131,630</u>
<b>Cash and cash equivalents at the end of the year</b>	3	<u>246,154</u>	<u>225,057</u>

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

**Notes to the consolidated financial statements****1. Legal status and principal activities**

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

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

All the Bank’s activities are regulated by the QFCRA and are conducted in accordance with the Islamic Shari’a principles, as determined by the Shari’a Supervisory Board of the Bank and in accordance with the provisions of its Articles of Association. The Bank operates through its head office located in Suhaim bin Hamad Street, Doha, State of Qatar.

**2. Significant accounting policies**

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

**2.1. Basis of preparation**

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of corporate investments and investments in real estate at fair value. The consolidated financial statements of the Bank and its subsidiaries (“the Group”) have been prepared in accordance with the Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”) and Shari’a Rules and Principles as determined by the Shari’a Supervisor Board of the Bank, and International Financial Reporting Standards (“IFRS”), where AAOIFI guidance is not available.

**New standard issued but not yet adopted**

FAS 27 – “Investment Accounts” was issued by AAOIFI. The new FAS 27 updates and replaces two of AAOIFI’s previous accounting standards relating to investment accounts – FAS 5 Disclosure of Bases for Profit Allocation between Owners’ Equity and Investment Account Holders as well as FAS 6 Equity of Investment Account Holders and Their Equivalent. The Group will assess the effect of FAS 27 to the consolidated financial statements, once it is published.



## 2. Significant accounting policies (continued)

### 2.2. Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has directly or indirectly the power to govern the financial and operating policies (control) generally accompanying a shareholding of more than one half of the voting rights. 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.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement and within owners' equity in the consolidated statement of financial position, separately from the parent's owners' equity.

#### 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.

The Bank has the following subsidiaries as at 31 December 2014 and 2013:

Subsidiaries	Activity	Effective ownership as at 31 December		Year of incorporation	Country
		2014	2013		
Future Card Industries LLC	Manufacturing	71.30%	71.30%	2012	UAE
Al Wasita Emirates for Catering Services LLC	Catering	85%	85%	2008	UAE
Isnad Catering Services WLL	Catering	75%	75%	2012	Qatar

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition (Bargain purchase or negative goodwill) is recognised directly in the consolidated income statement in the year of acquisition.



## **2. Significant accounting policies (continued)**

### **2.2 Subsidiaries (continued)**

**Purchases and sales of non-controlling interests.** To account for transactions between shareholders of non- controlling interest the Group applies the economic entity model. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

### **2.3. Foreign currencies**

#### **Functional and presentation currency**

The currency of the State of Qatar, in which the Bank is domiciled, is Qatari Riyals which is the functional currency. However, the results and financial position of the Bank are presented in United States Dollars, which is the presentation currency of the Bank.

#### **Transactions and balances**

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

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

#### **Group companies**

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

- I. Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position,
- II. 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
- III. All resulting exchange differences are recognised as a separate component of the consolidated statement of changes in owners' equity.

**2. Significant accounting policies (continued)****2.3 Foreign currencies (continued)**

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.

**2.4. Financial assets and liabilities***(a) 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.

*(b) Derecognition*

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.

**2.5. Offsetting of financial assets and 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.

**2.6. 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.

**2. Significant accounting policies (continued)****2.6 Cash and cash equivalents (continued)**

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

**2.7. Investments 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.

**2.8. Financing assets**

Financing activities comprise Murabaha and Ijara contracts:

**2.8.1. 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.

**2.8.2. Due from Ijarah contracts**

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivable are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any). Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

**2.9. Accounts receivable**

Accounts receivable are stated at their cash equivalent value, which is the amount of debt due from the customers at the end of the financial period less any provision for doubtful debts. 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.



## 2. Significant accounting policies (continued)

### 2.10. 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 measured at costs 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.

### 2.11. Corporate investments

Corporate investments comprise of 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.

#### **Investments carried at fair value through equity**

Equity type investments carried at fair value through equity are those equity instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity; these are designated as such at inception. Regular-way purchases and sales of these investments are recognised on the trade date which is the date on which the Group commits to purchase or sell the asset. These investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

These investments are subsequently re-measured at fair value and the resulting unrealised gains or losses are recognised in the consolidated statement of changes in equity under "Fair value reserves", until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement.

## 2. Significant accounting policies (continued)

### 2.10. Inventories (continued)

The fair value of quoted investments in active market is based on current bid price. If there is no active market for such financial assets, the Group establishes fair values using valuation techniques. These include the use of recent arm's length transactions and other valuation techniques used by other participants. The Group also refers to valuations carried out by investment managers in determining fair value of certain unquoted financial assets. Investments where fair value cannot be reliably measured are carried at cost less impairment loss, if any.

#### Investments carried at fair value through income statement

An investment is classified at fair value through income statement if acquired or originated principally for the purpose of generating a profit from short term fluctuations in price or dealers margin, or designated at fair value through income statement if such designation eliminates an accounting mismatch or the investment is managed and its performance is evaluated internally by the management on a fair value basis. These investments are recognised on the acquisition date at fair value. At the end of each reporting period, investments are re-measured at their fair value and the gain/loss is recognised in the consolidated income statement. Fair value investments through income statement do not give rise to impairment issues as diminution in value due to impairment is already reflected in the fair value and, hence in the consolidated income statement.

#### (b) Venture capital investments

Venture capital investments are 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 business 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 income statement.

### 2.12. Impairment

#### Impairment of financial assets

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





## **2. Significant accounting policies (continued)**

### **2.12. Impairment (continued)**

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 equity.

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

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

### **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.



## 2. Significant accounting policies (continued)

### 2.13. Investments in real estate

#### (a) *Investment in real estate – held for use*

Investments in real estate represent held-for-use real estate investments. 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 equity under investment fair value reserve.

In case of losses, they are then recognised in the 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 investment 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.

#### (b) *Investment in real estate – held for sale*

Upon decision to sell an investment in real estate provided that the sale occurs within twelve months from the end of its reporting period, the investment in real estate held for use are reclassified in the statement of financial position as ‘investment in real estate held-for-sale’.

Such investments in real estate are continued to be measured at fair value. Subsequent fair value adjustments are recognised in the equity under investment fair value reserve.

### 2.14. Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets’ carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.



## 2. Significant accounting policies (continued)

### 2.14 Fixed Assets (continued)

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
Building	20
Office equipment	3-5
Furniture and fixtures	3-7
Building renovations and fixtures	5-10
Motor vehicles	5

### 2.15. Intangible assets

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

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

Software and Core Banking System	5-7 years
Brand and Contractual relationships	5 years

### 2.16. Equity of unrestricted investment account holders

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

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

The allocation of profit of investments jointly financed by the Bank and unrestricted 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 borne directly by the Bank.



## **2. Significant accounting policies (continued)**

### **2.17. Recognition of income**

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

#### **Income from 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.

#### **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 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:

- (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group;
- and
- (e) 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 corporate investments**

Income from corporate investments is described in note 2.11

## **2. Significant accounting policies (continued)**

### **2.18. Employee benefits**

#### *(a) 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.

**2. Significant accounting policies (continued)****2.18 Employee benefits (continued)***(b) 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.

**2.19. Provisions**

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

**2.20. 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.

**2.21. Zakah**

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

**3. Cash and cash equivalents**

	<u>31 December 2014</u>			<u>31 December 2013</u>		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash on hand	1,350	-	1,350	725	-	725
Balances with banks (current accounts)	9,687	20,128	29,815	86,279	23,616	109,895
	11,037	20,128	31,165	87,004	23,616	110,620
Restricted bank balances	-	-	-	2,625	-	2,625
Placements with financial institutions	32,866	182,123	214,989	85,952	25,860	111,812
	32,866	182,123	214,989	88,577	25,860	114,437
	43,903	202,251	246,154	175,581	49,476	225,057

Placements with financial institutions represent inter-bank placements in the form of Wakala and Murabaha investments. The average rate of return on Wakala and Murabaha investments is 0.61% per annum (2013: 0.59%).

**4. Investments carried at amortised cost**

	<u>31 December 2014</u>			<u>31 December 2013</u>		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Investments in sukuk	30,839	170,891	201,730	57,733	16,867	74,600
Unamortised premiums and discounts, net	585	3,240	3,825	176	52	228
	31,424	174,131	205,555	57,909	16,919	74,828

The fair value of the Group's investments in sukuk portfolio amounted to USD 207.5 million (2013: USD 74.9 million).

**5. Financing assets**

	<b>31 December 2014</b>			<b>31 December 2013</b>		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha	126,323	103,668	229,991	103,963	1,900	105,863
Ijara receivable	4,586	25,414	30,000	-	-	-
Others	4,151	1,645	5,796	-	-	-
	<b>135,060</b>	<b>130,727</b>	<b>265,787</b>	<b>103,963</b>	<b>1,900</b>	<b>105,863</b>
Less: Deferred profits	(28,751)	(8,067)	(36,818)	(22,832)	(24)	(22,856)
	<b>106,309</b>	<b>122,660</b>	<b>228,969</b>	<b>81,131</b>	<b>1,876</b>	<b>83,007</b>

Murabaha finances, mainly represent murabaha facilities provided to investees and individual and corporate clients as a part of private banking operations. The average rate of return on murabaha financing is 6.67% per annum (2013: 8.56% per annum).

As at 31 December 2014 and 2013, there were no overdue balances and impairment provision.

**6. Accounts receivable**

Accounts receivable comprises of the following:

	<b>2014</b>	<b>2013</b>
Trade debtors	37,423	33,949
Less: Provision for doubtful debts	(699)	(829)
	<b>36,724</b>	<b>33,120</b>

**7. Inventories**

Inventories comprise of the following:

	<b>2014</b>	<b>2013</b>
Raw materials	9,516	8,182
Semi finished goods	1,790	577
Finished goods	1,893	2,138
Less: Write down to net realisable value	(688)	(416)
	<b>12,511</b>	<b>10,481</b>

**8. Corporate investments**

	2014	2013
Investments at fair value through equity	35,030	11,912
Investments at fair value through income statement	<u>370,730</u>	<u>266,377</u>
	<u>405,760</u>	<u>278,289</u>

**8.1. Investments at fair value through equity**

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

	2014	2013
Unquoted*	7,222	7,222
Quoted**	<u>27,808</u>	<u>4,690</u>
	<u>35,030</u>	<u>11,912</u>

\* Due to non-availability of the fair value, the investment is carried at cost.

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

**8.2. Investments at fair value through income statement**

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

Investment Type	2014	2013
Venture capital investments	264,246	141,781
Other investments at fair value through income statement	<u>106,484</u>	<u>124,596</u>
	<u>370,730</u>	<u>266,377</u>



**8. Corporate Investments (continued)**

**8.3. The following summarises the movement in corporate investments during the year:**

	2014			2013		
	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	11,912	266,377	278,289	21,871	190,706	212,577
Additions	34,717	63,452	98,169	-	28,044	28,044
Disposal*	(4,512)	(24,939)	(29,451)	(10,339)	(18,941)	(29,280)
Fair value adjustments	(7,087)	65,840	58,753	380	66,568	66,948
At the end of the year	<u>35,030</u>	<u>370,730</u>	<u>405,760</u>	<u>11,912</u>	<u>266,377</u>	<u>278,289</u>

\*The Group partially disposed two investments at fair value through income statement and one investment at fair value through equity during 2014 which resulted in a net capital gain of USD 2.5 million and USD 0.4 million, respectively (2013: net capital gain of USD 7.6 million and USD 0.3 million respectively), that has been accounted for in the consolidated income statement.

**8.4. Fair value measurement**

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

- level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- 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
- level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

**8. Corporate Investments (continued)****8.4 Fair value measurement (continued)**

	Level 1	Level 2	Level 3	Total
<b>31 December 2014</b>				
Investments at fair value through equity	<u>27,808</u>	<u>-</u>	<u>7,222</u>	<u>35,030</u>
Investment at fair value through income statement	<u>63,074</u>	<u>-</u>	<u>307,656</u>	<u>370,730</u>
Net gains and losses included in the consolidated statement of changes in equity	<u>(6,909)</u>	<u>-</u>	<u>-</u>	<u>(6,909)</u>
Net gains and losses, recognized through consolidated income statement	<u>2,143</u>	<u>-</u>	<u>63,697</u>	<u>65,840</u>
<b>31 December 2013</b>				
Investments at fair value through equity	<u>4,690</u>	<u>-</u>	<u>7,222</u>	<u>11,912</u>
Investments at fair value through income statement	<u>83,186</u>	<u>-</u>	<u>183,191</u>	<u>266,377</u>
Net gains and losses included in the consolidated statement of changes in equity	<u>380</u>	<u>-</u>	<u>-</u>	<u>380</u>
Net gains and losses, recognized through consolidated income statement	<u>51,490</u>	<u>-</u>	<u>15,078</u>	<u>66,568</u>

The below table summarises the valuation technique and inputs used in the fair value measurement at 31 December 2014 and 2013 for level three investments, measured at fair value:

	Valuation technique	Inputs used	Range of inputs	
			31 Dec 2014	31 Dec 2013
Investments at fair value through income statement	Discounted cash flows ("DCF")	Growth rate	1% to 5%	1.5% to 5%
		Discount rate	10% to 17.2%	10% to 15.8%

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% (2013: 1.5% to 5%) based on actual and expected performance of the investee. Should the growth rates increase / decrease by 1 percentage point (2013: 1 percentage point), the carrying value of the investments would be USD 15.5 million higher / USD 10.7 million lower (2013: USD 19 million higher/ USD 14 million lower);

**8. Corporate Investments (continued)****8.4 Fair value measurement (continued)**

- Discount rate. The discount rates are assumed to be in range of 10% -17.2% (2013: 10% -15.8%) for different investments. Should these discount rates increase / decrease by 1percentage point (2013: 1 percentage point), the carrying value of the investments would be USD 16.5 million lower / USD 23.8 million higher (2013: USD 20 million lower / USD 25 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 (2013: 1 percentage point), the carrying value of the investments would be USD 2.6 million higher / USD 1.8 million lower (2013: USD 2 million higher / USD 2 million lower).

**9. Investments in real estate**

	2014	2013
Investment in real estate held for use	56,637	61,535
Investment in real estate held for sale	18,396	-
	<u>75,033</u>	<u>61,535</u>

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

	2014			2013
	Investment in real estate held for use	Investment in real estate held for sale	Total	Investment in real estate held for use
At the beginning of year	61,535	-	61,535	54,142
Additions	11,756	-	11,756	4,942
Transfer	(18,396)	18,396	-	-
Fair value adjustments	1,742	-	1,742	2,451
At the end of the year	<u>56,637</u>	<u>18,396</u>	<u>75,033</u>	<u>61,535</u>

The valuation of investment in real estate held for sale of 18.4 million was based on sales purchase agreement with a buyer. Although agreement was signed in December 2014, the transaction was completed in January 2015. Remaining investment in real estate amounting 56.6 million (2013: 43.8 million) was valued by management internally without any significant change of fair value as at 31 December 2014.

**Qatar First Bank L.L.C**

**For the year ended 31 December 2014**

*(All amounts are expressed in United States Dollars thousands)*



**10. Fixed assets**

	Plant and machinery	Land and buildings	Machinery and equipment	Furniture and fixture	Building renovation and fixtures	Motor vehicle	Capital work in progress	Total
<b>Cost</b>								
As at 1 January 2013	17,973	19,637	6,942	7,822	592	439	62	53,467
Additions	1,030	296	2,793	177	489	24	230	5,039
Transfers	62	-	-	-	-	-	(62)	-
Disposals	-	-	(1)	-	-	-	-	(1)
<b>As at 31 December 2013</b>	<b>19,065</b>	<b>19,933</b>	<b>9,734</b>	<b>7,999</b>	<b>1,081</b>	<b>463</b>	<b>230</b>	<b>58,505</b>
Additions	323	-	1,291	96	1,764	102	1,872	5,448
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(4)	-	-	(86)	-	(90)
<b>As at 31 December 2014</b>	<b>19,388</b>	<b>19,933</b>	<b>11,021</b>	<b>8,095</b>	<b>2,845</b>	<b>479</b>	<b>2,102</b>	<b>63,863</b>

**Qatar First Bank L.L.C**

**For the year ended 31 December 2014**

*(All amounts are expressed in United States Dollars thousands)*



**10. Fixed Assets (Continued)**

	Plant and machinery	Land and buildings	Machinery and equipment	Furniture and fixture	Building renovation and fixtures	Motor vehicle	Capital work in progress	Total
<b>Accumulated depreciation</b>								
As at 1 January 2013	8,539	1,182	4,471	3,032	356	221	-	17,801
Depreciation charge*	964	228	1,570	1,182	53	62	-	4,059
Disposals/transfer	-	-	(1)	-	-	-	-	(1)
<b>As at 31 December 2013</b>	<b>9,503</b>	<b>1,410</b>	<b>6,040</b>	<b>4,214</b>	<b>409</b>	<b>283</b>	<b>-</b>	<b>21,859</b>
Depreciation charge*	1,020	228	1,777	1,084	279	46	-	4,434
Disposals/transfer	-	-	(3)	-	-	(86)	-	(89)
<b>As at 31 December 2014</b>	<b>10,523</b>	<b>1,638</b>	<b>7,814</b>	<b>5,298</b>	<b>688</b>	<b>243</b>	<b>-</b>	<b>26,204</b>
<b>Net book amount</b>								
As at 31 December 2013	<u>9,562</u>	<u>18,523</u>	<u>3,694</u>	<u>3,785</u>	<u>672</u>	<u>180</u>	<u>230</u>	<u>36,646</u>
As at 31 December 2014	<u>8,865</u>	<u>18,295</u>	<u>3,207</u>	<u>2,797</u>	<u>2,157</u>	<u>236</u>	<u>2,102</u>	<u>37,659</u>

\*Depreciation charge includes an amount of USD 2,775 thousand (2013: USD 2,380 thousand) which relates to non-banking activities.

**11. Intangible assets**

	Software and core banking system	Brand and contractual relationships	Total
<b>At 1 January 2013</b>			
<b>Cost:</b>			
Beginning balance	3,755	9,607	13,362
Additions during the year	882	-	882
<b>At 31 December 2013</b>	<u>4,637</u>	<u>9,607</u>	<u>14,244</u>
<b>Amortisation</b>			
Beginning balance	1,839	741	2,580
Amortisation charge for the year*	585	1,773	2,358
<b>At 31 December 2013</b>	<u>2,424</u>	<u>2,514</u>	<u>4,938</u>
<b>Net book value as at 31 December 2013</b>	<u>2,213</u>	<u>7,093</u>	<u>9,306</u>
<b>As at 1 January 2014</b>			
<b>Cost:</b>			
Beginning balance	4,637	9,607	14,244
Additions during the year	2,611	-	2,611
<b>At 31 December 2014</b>	<u>7,248</u>	<u>9,607</u>	<u>16,855</u>
<b>Amortisation</b>			
Beginning balance	2,424	2,514	4,938
Amortisation charge for the year*	693	1,776	2,469
<b>At 31 December 2014</b>	<u>3,117</u>	<u>4,290</u>	<u>7,407</u>
<b>Net book value at 31 December 2014</b>	<u>4,131</u>	<u>5,317</u>	<u>9,448</u>

\*Amortisation charges included an amount of USD 1,776 thousand (2013: USD 1,773 thousand) which relates to non-banking activities.

**12. Other assets**

	2014	2013
Other receivables	5,553	8,397
Prepayments	16,427	14,586
Refundable deposits	1,656	1,434
Due from related parties (note 24)	754	742
Due from employees	85	347
	<u>24,475</u>	<u>25,506</u>

**13. Due to banks**

	2014	2013
Bank facilities	41,367	23,034
Bank overdraft	1,160	1,002
Murabaha financing	64,913	46,522
Ijara financing	7,787	8,169
Accepted wakala deposits	-	12,750
	<u>115,227</u>	<u>91,477</u>

As at 31 December 2014, corporate investments with the carrying amount of USD 104 million were pledged against murabaha financing (31 December 2013: USD 43 million).

**14. Other liabilities**

	2014	2013
Accounts payable	26,458	19,026
Staff-related payables	15,258	14,837
Other payables	1,663	10,275
Accrued expenses	4,413	6,013
Due to related parties (note 24)	330	332
Unearned revenue	78	75
Dividends payable	5,133	3,683
	<u>53,333</u>	<u>54,241</u>

Accounts payable represents mainly amounts due to various suppliers originated from regular business activities undertaken by Group's subsidiaries.

**15. Equity of unrestricted investment account holders**

The funds received from unrestricted investment account holders are invested on their behalf without recourse to the Group as follows as at 31 December:

	Note	2014	2013
Cash and cash equivalents	3	202,251	49,476
Investment carried at amortised cost	4	174,131	16,919
Financing assets	5	122,660	1,876
		<u>499,042</u>	<u>68,271</u>

The assets attributable to unrestricted investment account holders have been disclosed net of impairment provision. As at 31 December 2014 and 2013 there were no impairment recognised in the assets attributable to unrestricted investment account holders.

All funds are received from Qatari corporate and individual clients.

Due to the terms of profit share ratios on mudaraba agreements and in order to align to general market profit rates, the Bank increased the income of the unrestricted investment account holders by waiving some of its share of profit as Mudarib. The share of profit waived amounted to USD 3,691 thousand (2013: nil).

Income from assets attributable to unrestricted investment accounts by type is presented below:

	2014	2013
Profit on investment carried at amortised cost	3,754	-
Income from financing activities	3,914	-
Other income	917	-
	<u>8,585</u>	<u>-</u>

**16. Non-controlling interest**

	2014	2013
At 1 January	13,902	13,472
Fair value adjustments related to investment	157	-
Net income for the year	<u>205</u>	<u>430</u>
At 31 December	<u>14,264</u>	<u>13,902</u>



**17. Share capital**

	2014	2013
<b>Authorised:</b>		
250,000,000 ordinary shares (2013: 200,000,000 ordinary shares) of QAR 10 each	<u>686,813</u>	<u>549,451</u>
<b>Issued and paid:</b>		
200,000,000 ordinary shares (2013: 200,000,000 ordinary shares) of QAR 10 each (2013: QAR 10 each)	<u>549,451</u>	<u>549,451</u>

In the General Assembly Meeting held on 24 March 2014, the shareholders of the Bank approved the increase of the authorised capital of the Bank to QAR 2.5 billion (USD 687 million) from QAR 2 billion (USD 549 million) in 2013.

**18. Revenue and expenses from non-banking activities**

	Relating to Owners	
	2014	2013
Sales	97,769	85,945
Other income	<u>336</u>	<u>1,024</u>
Revenue from non-banking activities	<u>98,105</u>	<u>86,969</u>
Cost of sales	(72,303)	(61,299)
Other expenses	(20,509)	(20,705)
Finance costs	<u>(3,338)</u>	<u>(2,822)</u>
Non-banking activity expenses	<u>(96,150)</u>	<u>(84,826)</u>
Net income from non-banking activities	<u>1,955</u>	<u>2,143</u>

**19. Other income**

	Relating to Owners	
	2014	2013
Rental income	3,416	3,595
Other income	<u>1,233</u>	<u>305</u>
	<u>4,649</u>	<u>3,900</u>

**20. Other operating expenses**

	Relating to Owners	
	2014	2013
Rent expense	6,272	6,747
Directors' remuneration	3,638	2,428
Professional services	4,508	3,385
Other general and administrative expenses	3,083	6,568
	<u>17,501</u>	<u>19,128</u>

**21. Basic/diluted earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to the Banks' Owners and the number of shares outstanding during the year.

	2014	2013
<b>Basic earnings per share from continuing operations</b>		
Net profit attributable to the owners of the parent	43,518	38,648
Total weighted average number of shares	<u>200,000</u>	<u>171,327</u>
Basic earnings per share (US cents)	<u>21.76</u>	<u>22.56</u>

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

**22. Contingent liabilities**

The Group had the following contingent liabilities as at 31 December:

	2014	2013
Letters of credit	1,698	-
Letters of guarantee	17,020	8,251
Total contingent liabilities	<u>18,718</u>	<u>8,251</u>

**23. Commitments**

	2014	2013
Commitment for operating lease		
Later than one year	31,093	40,037
No later than one year	<u>6,630</u>	<u>7,290</u>
	37,723	47,327
Investment-related commitments	8,299	-
Commitment for operating & capital expenditure	10,303	6,458
Unutilised credit facilities	<u>33,973</u>	<u>-</u>
	<u>90,298</u>	<u>53,785</u>

**24. Related parties transactions and balances**

Related parties comprise owners with significant influence, directors and senior management personnel of the Group, close family members, entities owned or controlled by them, associates and affiliated companies.

*(a) Due from related parties*

	2014	2013
Affiliated entities	<u>754</u>	<u>742</u>

Due from related parties balance is included under other assets (note 12).

*(b) Due to related parties*

	2014	2013
Affiliated entities	<u>330</u>	<u>332</u>

Due from related parties balance is included under other liabilities (note 13).

*(c) Compensation of key management personnel*

	2014	2013
Salaries and short term benefits of senior management	7,152	8,329
Directors' remuneration	2,991	2,354
Shari'a supervisory board remunerations	<u>140</u>	<u>141</u>
	<u>10,283</u>	<u>10,824</u>

**25. Zakah**

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners. Zakah payable by the owners is computed by the Group on the basis of the method prescribed by the Shari'a Supervisory Board of the Bank and notified to the Owners. Zakah payable by the owners, for the year ended 31 December 2014 was US cents 3.15 for every share held (2013: US cents 4.85).

**26. Significant accounting judgements and estimates**

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.

**26. Significant accounting judgements and estimates (continued)**

- **Fair value of corporate 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 8.

- **Useful lives of tangible and intangible assets**

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

**27. Financial instruments and related risk management*****Financial instruments definition and classification***

Financial instruments comprise of all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks and other financial institutions, financial investments and financing to banks. Financial liabilities include customer balances, due to banks and financial institutions. Financial instruments also include contingent liabilities and commitments included in off financial position items.

Note 2 explains the accounting policies used to recognise and measure the significant financial instruments and their respective income and expenses items.

***Fair value of financial instruments***

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

Fair value is determined for each investment individually in accordance with the valuation policies adopted by the Group as set out in note 2.11.

***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.


**27. Financial instruments and related risk management (continued)**
***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), the two Board's subcommittees (Executive Committee and Audit and Risk Committee), 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 and Risk 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 and Risk Committee whilst also working closely with the business units which ultimately own and manage the risks.

***Investment risk***

Private equities investment risks are identified and assessed via extensive due diligence activities conducted by the respective investment departments. The Group's investments in private equity 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 components of the financial position.

	2014	2013
Balances with banks	29,815	112,520
Placements with financial institutions	214,989	111,812
Financing assets	228,969	83,007
Accounts receivable	36,724	33,120
Other assets	24,475	25,506
Investments carried at amortised cost	205,555	74,828
	<u>740,527</u>	<u>440,793</u>

**27. Financial instruments and related risk management (continued)****Risk**

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

	2014	2013
AAA to A-	216,640	196,456
BBB+ to B-	394	99
Unrated	27,770	27,777

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. At 31 December 2014 the Group had balances with 2 counterparty banks (2013: 1 bank) with aggregated amounts above USD 70 million. The total aggregate amount of these deposits was USD 189.4 million (2013: USD 88.6 million).

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

	2014	2013
Qatar	431,707	143,995
United Arab Emirates	179,145	117,374
Asia & Middle East	56,393	53,561
North America	370	88,669
Europe & Others	72,912	37,194
	<u>740,527</u>	<u>440,793</u>

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

	2014	2013
Financial services	362,837	296,351
Industrial	5,268	24,006
Real estate and construction	153,076	28,201
Technology	3,197	3,375
Oil & gas	51,914	51,914
Others	164,235	36,946
	<u>740,527</u>	<u>440,793</u>

***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.


**27. Financial instruments and related risk management (continued)**
**Liquidity risk and funding management (continued)**

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.

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



## 27. Financial instruments and related risk management (continued)

## Liquidity risk and funding management (continued)

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Un- dated	Total
At 31 December 2014							
<b>Assets</b>							
Cash and cash Equivalents	31,159	214,995	-	-	-	-	246,154
Investments carried at amortised cost	-	-	-	-	205,555	-	205,555
Financing assets	650	17,312	1,031	31,936	178,040	-	228,969
Accounts receivable	-	15,131	4,260	17,243	90	-	36,724
Corporate investments	-	-	-	106,032	299,728	-	405,760
Investments in real Estate	-	18,396	-	-	-	56,637	75,033
Other assets	-	3,384	1,763	2,434	12,483	4,411	24,475
<b>Total financial Assets</b>	<u>31,809</u>	<u>269,218</u>	<u>7,054</u>	<u>157,645</u>	<u>695,896</u>	<u>61,048</u>	<u>1,222,670</u>
<b>Liabilities and equity of unrestricted investment account holders</b>							
Due to banks	-	33,066	8,830	11,908	61,423	-	115,227
Customers' current accounts	7,245	-	-	-	-	-	7,245
Other liabilities	5,133	19,536	20,737	2,541	970	4,416	53,333
Equity of unrestricted investment account holders	-	455,071	39,816	2,759	1,396	-	499,042
<b>Total financial Liabilities</b>	<u>12,378</u>	<u>507,673</u>	<u>69,383</u>	<u>17,208</u>	<u>63,789</u>	<u>4,416</u>	<u>674,847</u>
<b>Net liquidity gap</b>	<u>19,431</u>	<u>(238,455)</u>	<u>(62,329)</u>	<u>140,437</u>	<u>632,107</u>	<u>56,632</u>	<u>547,823</u>
<b>Net cumulative gap</b>	<u>19,431</u>	<u>(219,024)</u>	<u>(281,353)</u>	<u>(140,916)</u>	<u>491,191</u>		



**27. 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.

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 6 months</u>	<u>6 to 12 months</u>	<u>1 to 5 years</u>	<u>Un- dated</u>	<u>Total</u>
<b>At 31 December 2013</b>							
<b>Assets</b>							
Cash and cash equivalents	110,595	111,812	-	2,650	-	-	225,057
Investments carried at amortised cost	-	-	-	-	74,828	-	74,828
Financing assets	-	1,594	8,300	-	73,113	-	83,007
Accounts receivable	-	16,348	4,750	11,337	685	-	33,120
Corporate investments	-	-	-	100,693	177,596	-	278,289
Investments in real estate	-	-	-	-	17,699	43,836	61,535
Other assets	-	5,451	2,782	8,507	8,497	269	25,506
<b>Total financial assets</b>	<u>110,595</u>	<u>135,205</u>	<u>15,832</u>	<u>123,187</u>	<u>352,418</u>	<u>44,105</u>	<u>781,342</u>
<b>Liabilities and equity of unrestricted investment account holders</b>							
Due to banks	-	32,513	7,223	3,661	48,080	-	91,477
Customers' current accounts	6,436	-	9,375	-	-	-	15,811
Other liabilities	3,683	28,739	8,443	6,061	2,649	4,666	54,241
Equity of unrestricted investment account holders	-	68,271	-	-	-	-	68,271
<b>Total financial liabilities</b>	<u>10,119</u>	<u>129,523</u>	<u>25,041</u>	<u>9,722</u>	<u>50,729</u>	<u>4,666</u>	<u>229,800</u>
<b>Net liquidity gap</b>	<u>100,476</u>	<u>5,682</u>	<u>(9,209)</u>	<u>113,465</u>	<u>301,689</u>	<u>39,439</u>	<u>551,542</u>
<b>Net cumulative gap</b>	<u>100,476</u>	<u>106,158</u>	<u>96,949</u>	<u>210,414</u>	<u>512,103</u>		

**27. Financial instruments and related risk management (continued)****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 corporate investments*

The Group has certain exposure to equity price risk mainly due to some corporate investments being listed in stock exchanges. At 31 December 2014, if equity prices at that date had been 5% higher/lower with all other variables held constant, net income for the year would have been USD 3,154 (2013: USD 4,159 thousand) higher/lower and fair value reserve would have been USD 1,390 thousand (2013: USD 235 thousand) higher/lower.

*(b) Non-listed corporate investments*

Sensitivities on non-listed corporate investments are disclosed in note 8.

**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 "Due to banks").

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.

	2014	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	214,989	100	2,150
Investments carried at amortised cost	205,555	100	2,056
Financing assets	228,969	100	2,290
<b>Liabilities and equity of unrestricted investment account holders</b>			
Customers' current accounts	7,245	100	(72)
Due to banks	115,227	100	(1,152)
Equity of unrestricted investment account holders	499,042	100	(4,990)
			282

**27. Financial instruments and related risk management (continued)**

	2013	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	111,812	100	1,118
Investments carried at amortised cost	74,828	100	748
Financing assets	83,007	100	830
<b>Liabilities and equity of unrestricted investment account holders</b>			
Customers' current accounts	15,811	100	(158)
Due to banks	91,477	100	(915)
Equity of unrestricted investment account holders	68,271	100	(683)
			<u>940</u>

**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 US Dollars and, hence the foreign exchange risk for the Group in respect of these currencies is minimal.

Currency	Exposure (USD equivalent)	
	2014	2013
QAR	(153,415)	91,970
AED	95,798	133,813
SAR	-	2

The table below shows the impact of a 5% movement in the currency rate, for other than those pegged to the United States Dollars, against the United States Dollars, 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 (USD equivalent)		Effect on net profit (+/-)	
	2014	2013	2014	2013
GBP	104,344	26,436	5,217	1,322
EUR	1,862	1,770	93	89
JOD	208	166	10	8
TRY	155,000	109,000	7,750	5,450
KWD	9	9	0.45	0.45


**27. Financial instruments and related risk management (continued)**
**Commodities price risk**

The Group does not currently have 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.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to focus on maintaining a diversified portfolio. Identified concentrations of investment and funding risks are controlled and managed accordingly.

As at 31 December 2014, QFB had 5 customers which had more than 5% of total unrestricted investment account holders (2013: 2 customers) and 6 customers which had more than 5% of total murabaha receivables (2013: 3 customers).

**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 positive prescribed ratio of total capital to total risk-weighted assets.

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

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and minority interests 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.

**27. Financial instruments and related risk management (continued)****Capital management (continued)**

- 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-financial position 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 period. The Group's capital adequacy ratio, calculated in accordance with the capital adequacy guidelines issued by the QFCRA, is as follows:

	2014	2013
<b>Total risk weighted assets</b>	<b>2,491,099</b>	<b>1,621,216</b>
Share capital	549,451	549,451
Retained earnings	44,592	39,987
Reserves	(866)	4,635
Non-controlling interest	14,264	13,902
Intangible assets	(9,448)	(9,306)
<b>Total qualifying capital and reserve funds</b>	<b>597,993</b>	<b>598,669</b>
<b>Total capital resources expressed as a percentage of total risk weighted assets</b>	<b>24.01%</b>	<b>36.93%</b>

**28. Segment information**

For management purposes, the Group is organised into three business segments:

**Alternative Investments**

The Group's alternative investments business segment includes direct investment in private equity 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. During 2014 and as a result of a change in the strategy of the Bank, the Private Equity and Strategic Investments businesses were combined under the Alternative Investments segment.

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**28. Segment information (continued)**

**Private Banking and Wealth Management**

The Group's private banking and wealth business targets qualified High Net Worth clients with Shariah-compliant up-market banking products and services that address personal, business and wealth requirements. This includes providing investment/ deposit accounts, plain vanilla and specialised financing, treasury and investment management, advisory, credit card, ancillary and concierge services.

**Other**

Other comprises the central management and support functions of the Group.

*(a) Information about reportable segment assets and liabilities*

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

**28. Segment information (continued)***(b) Information about reportable profit and loss*

Below is the distribution of the net income by segment in which the transaction has been recognised during the year:

	Alternative Investments	Private Banking and Wealth Management	Other	Total
<b>At 31 December 2014</b>				
<b>Income</b>				
Income from assets attributable to unrestricted investment accounts	-	8,585	-	8,585
Less: return on unrestricted investment accounts and impairment provisions	-	(7,526)	-	(7,526)
Group's share of income from unrestricted investment accounts as Mudarib	-	1,059	-	1,059
Revenue from non-banking activities	98,105	-	-	98,105
Gain on re-measurement of investments at fair value through statement of net income	65,840	-	-	65,840
Dividends income	5,883	-	-	5,883
Profit on investments carried at amortised cost	-	1,089	-	1,089
Gain on disposal of corporate investments	2,947	-	-	2,947
Income from financing activities	6,839	378	-	7,217
Other income	1,151	83	3,415	4,649
<b>Total income</b>	<b>180,765</b>	<b>2,609</b>	<b>3,415</b>	<b>186,789</b>
<b>Expenses</b>				
Non-banking activity expenses	96,150	-	-	96,150
Staff costs	7,725	4,678	12,832	25,235
Other operating expenses	-	-	17,501	17,501
Financing costs	1,828	-	-	1,828
Depreciation and amortization expenses	-	-	2,352	2,352
<b>Total expenses</b>	<b>105,703</b>	<b>4,678</b>	<b>32,685</b>	<b>143,066</b>
Net income (loss) before tax	75,062	(2,069)	(29,270)	43,723
Income tax	-	-	-	-
<b>Net income (loss) for the year</b>	<b>75,062</b>	<b>(2,069)</b>	<b>(29,270)</b>	<b>43,723</b>

**28. Segment information (continued)**

Below is the distribution of the net income by segment in which the transaction has been recognised during the period:

	Alternative Investments	Private Banking and Wealth Management	Other	Total
<b>At 31 December 2013</b>				
<b>Income</b>				
Revenue from non-banking activities	86,969	-	-	86,969
Gain on re-measurement of investments at fair value through statement of net income	66,568	-	-	66,568
Dividends income	288	-	-	288
Profit on investments carried at amortised cost	-	2,456	-	2,456
Gain on disposal of investments carried at amortised cost	-	1,132	-	1,132
Gain on disposal of corporate investments	7,628	-	314	7,942
Income from financing activities	6,865	21	-	6,886
Other income	276	105	3,519	3,900
<b>Total income</b>	<b>168,594</b>	<b>3,714</b>	<b>3,833</b>	<b>176,141</b>
<b>Expenses</b>				
Non-banking activity expenses	84,826	-	-	84,826
Staff costs	8,944	1,806	20,041	30,791
Other operating expenses	-	-	19,128	19,128
Financing costs	55	-	-	55
Depreciation and amortization expenses	-	-	2,263	2,263
<b>Total expenses</b>	<b>93,825</b>	<b>1,806</b>	<b>41,432</b>	<b>137,063</b>
<b>Net income (loss) before tax</b>	<b>74,769</b>	<b>1,908</b>	<b>(37,599)</b>	<b>39,078</b>
Income tax	-	-	-	-
<b>Net income(loss) for the year</b>	<b>74,769</b>	<b>1,908</b>	<b>(37,599)</b>	<b>39,078</b>



**28. Segment information (continued)****Geographical segment information**

The Group currently operates in two geographic markets namely Qatar and Asia/Middle East.

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

31 December 2014	Qatar	Asia/ Middle East	Total
<b>Income</b>			
Income from assets attributable to unrestricted investment accounts	5,375	3,210	8,585
Less: return on unrestricted investment accounts and impairment provisions	(7,526)	-	(7,526)
Group's share of income from unrestricted investment accounts as Mudarib	(2,151)	3,210	1,059
Revenue from non-banking activities	2,335	95,770	98,105
Gain on re-measurement of investments at fair value through income statement	2,900	62,940	65,840
Dividends income	404	5,479	5,883
Profit on investments carried at amortised cost	181	908	1,089
Gain on disposal of corporate investments	-	2,947	2,947
Income from financing activities	355	6,862	7,217
Other income	3,498	1,151	4,649
<b>Total income</b>	<b>7,522</b>	<b>179,267</b>	<b>186,789</b>
<b>Expenses</b>			
Non-banking activity expenses	3,820	92,330	96,150
Staff costs	25,235	-	25,235
Other operating expenses	17,501	-	17,501
Financing costs	-	1,828	1,828
Depreciation and amortisation expenses	2,352	-	2,352
<b>Total expenses</b>	<b>48,908</b>	<b>94,158</b>	<b>143,066</b>
<b>Income (loss) before tax</b>	<b>(41,386)</b>	<b>85,109</b>	<b>43,723</b>
Income tax	-	-	-
<b>Net income (loss) for the year</b>	<b>(41,386)</b>	<b>85,109</b>	<b>43,723</b>

**28. Segment information (continued)****Geographical segment information**

31 December 2013	Qatar	Asia/ Middle East	Total
<b>Income</b>			
Revenue from non-banking activities	551	86,418	86,969
Gain on re-measurement of investments at fair value through income statement	-	66,568	66,568
Dividends income	288	-	288
Profit on investments carried at amortised cost	286	2,170	2,456
Gain on disposal of investment carried at amortised cost	-	1,132	1,132
Gain on disposal of corporate investments	-	7,942	7,942
Income from financing activities	242	6,644	6,886
Other income	3,782	118	3,900
<b>Total income</b>	<b>5,149</b>	<b>170,992</b>	<b>176,141</b>
<b>Expenses</b>			
Non-banking activity expenses	954	83,872	84,826
Staff costs	30,791	-	30,791
Other operating expenses	19,128	-	19,128
Financing costs	-	55	55
Depreciation and amortisation expenses	2,263	-	2,263
<b>Total expenses</b>	<b>53,136</b>	<b>83,927</b>	<b>137,063</b>
<b>Income (loss) before tax</b>	<b>(47,987)</b>	<b>87,065</b>	<b>39,078</b>
<b>Income tax</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income (loss) for the year</b>	<b>(47,987)</b>	<b>87,065</b>	<b>39,078</b>

**29. Dividends**

In its Board of Directors meeting held on 12 February 2014, the Bank's Board of Directors proposed cash dividends of USD 38.9 million (2013: USD 30.2 million) which represents 8% (2013: 7%) of the paid up capital of USD 486 million (2013: 431 million). In its General Assembly Meeting held on 24 March 2014, the shareholders of the Bank approved the aforementioned dividend amount.

**30. Comparative figures**

Where necessary, corresponding figures are reclassified to conform to current year presentation. During the year, certain comparative amounts in the related segment reporting disclosure and in presentation of consolidated statement of financial position were reclassified to maintain comparability.

Consolidated financial statements  
31 December 2015



## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C**

### **Report on the consolidated financial statements**

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

#### *Respective responsibilities of the Board of Directors and Auditors*

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

#### *Basis of opinion*

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

#### *Opinion*

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

### **Report on other legal and regulatory requirements**

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

### **Other matter**

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

7 February 2016  
Doha  
State of Qatar

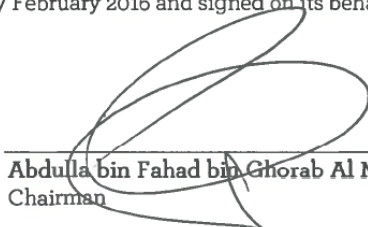
  
Gopal Balasubramanian  
KPMG  
Auditor's Registration No. 251

Qatar First Bank L.L.C  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 31 December 2015 (expressed in QAR'000)



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

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

  
Abdulla bin Fahad bin Ghorab Al Marri  
Chairman

  
Ziad Khalil Makkawi  
Chief Executive Officer

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

Qatar First Bank L.L.C  
CONSOLIDATED INCOME STATEMENT  
For the year ended 31 December 2015 (expressed in QAR'000)



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

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

Qatar First Bank L.L.C

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2015 (expressed in QAR'000)

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

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

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

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

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



## 1. REPORTING ENTITY

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

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

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

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

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

## **2. BASIS OF PREPARATION**

### **Statement of Compliance**

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

### **Basis of measurement**

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

### **Functional and presentational currency**

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

### **Use of estimates and judgments**

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1. Subsidiaries**

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

#### **Basis of consolidation**

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

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

#### **Non-controlling interests**

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.2. Foreign currencies**

##### **Transactions and balances**

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

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

##### **Group companies**

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **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.

#### **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. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.6. Investment carried at amortised cost**

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

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

#### **3.7. Financing assets**

Financing activities comprise murabaha and ijarah contracts:

##### **Due from murabaha contracts**

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

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

##### **Due from ijarah contracts**

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivable are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any). Ijarah income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

#### **3.8. Accounts receivable**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.9. Inventories**

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

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

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

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

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

#### **3.10. Equity investments**

Equity investments comprise the following:

##### **a) Investments carried at fair value**

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

##### *i. Classification*

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

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

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.10. Equity investments (continued)**

##### **a) Investments carried at fair value (continued)**

###### *ii. Recognition and de-recognition*

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

###### *iii. Measurement*

###### **Initial recognition**

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

###### **Subsequent measurement**

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

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.



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.10. Equity investments (continued)**

##### **b) Other investments (continued)**

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

#### **3.11. Impairment**

##### **Impairment of financial assets**

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

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

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

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

##### **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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.11. Impairment (continued)**

##### **Impairment of non-financial assets (continued)**

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

#### **3.12. Investment in real estate**

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

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

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

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.13. Assets held-for-sale and discontinued operations**

##### **Classification**

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

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

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.14. Fixed assets

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

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

#### 3.15. Intangible assets

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

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

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

#### 3.16. Equity of unrestricted investment account holders

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.16. Equity of unrestricted investment account holders (continued)**

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

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

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

#### **3.17. Recognition of income**

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

##### **Income from financing activities**

###### *Murabaha*

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

###### *Ijarah*

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

##### **Income from placements with financial institutions**

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

##### **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.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.17. Recognition of income (continued)**

##### **Revenue from non-banking activities**

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

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

##### **Dividend income**

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

##### **Income from equity investments**

Income from equity investments is described in note 3.10.

#### **3.18. Employee benefits**

##### **Defined contribution plans**

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

##### **Employee's end of service benefits**

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

#### **3.19. Provisions**

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

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.20. Contingent liabilities**

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

#### **3.21. Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available. Segment reporting are disclosed in note 31.

#### **3.22. Income tax**

##### **(a) Current income tax**

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

##### **(b) Deferred income tax**

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

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

#### **3.23. Operating leases**

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

#### **3.24. Zakah**

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.25. New standards and interpretations

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

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

##### **Financial Accounting Standard No. 23 (FAS 23) Consolidation**

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

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

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

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

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

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

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

AAOIFI has issued a new accounting standard on investment accounts - Financial Accounting Standard No. 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI's previous accounting standards relating to investment accounts – FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of unrestricted investment account holders and their equivalent.



### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.25. New standards and interpretations (continued)**

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

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

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

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

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

### **4. USE OF ESTIMATES AND JUDGEMENTS**

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

#### **Classification of financial instruments**

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

#### **Classification as held-for-sale**

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

**4. USE OF ESTIMATES AND JUDGEMENTS (continued)****Fair value of equity investments that were valued using assumptions that are not based on observable market data.**

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

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

**Useful lives of tangible and intangible assets**

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

**5. CASH AND CASH EQUIVALENTS**

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

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

**6. INVESTMENTS CARRIED AT AMORTISED COST**

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

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

**7. FINANCING ASSETS**

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

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

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

**8. ACCOUNTS RECEIVABLES**

Accounts receivable comprises of the following:

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

**9. INVENTORIES**

Inventories comprise the following:

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

**10. EQUITY INVESTMENTS**

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

**10.1. Investments at fair value through equity**

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

	<i>2015</i>	<i>2014</i>
Quoted*	<b>99,115</b>	101,221
Unquoted**	<b>26,288</b>	26,288
	<b><u>125,403</u></b>	<b><u>127,509</u></b>

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

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

**10.2. Investments at fair value through income statement**

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

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

**10. EQUITY INVESTMENTS (continued)****10.2. Investments at fair value through income statement (continued)**

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

**11. INVESTMENTS IN REAL ESTATE**

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

**11. INVESTMENTS IN REAL ESTATE (continued)**

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

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

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

**12. FIXED ASSETS**

	Plant and machinery	Land and buildings	Equipment	Furniture and fixture	Building renovations	Motor vehicles	Capital work in progress	Total
Cost								
As at 1 January 2014	69,397	72,556	35,432	29,116	3,935	1,685	837	212,958
Additions	1,176	-	4,699	349	6,421	371	6,814	19,830
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(15)	-	-	(311)	-	(326)
As at 31 December 2014	70,573	72,556	40,116	29,465	10,356	1,745	7,651	232,462
Additions	4,013	-	8,000	32,642	3,165	211	248	48,279
Transfers	-	-	550	5,308	-	-	(5,858)	-
Disposals	-	-	(2)	-	-	(46)	-	(48)
Reclassification to assets of disposal group classified as held-for-sale	-	-	(26,141)	(3,969)	(11,318)	(211)	-	(41,639)
As at 31 December 2015	74,586	72,556	22,523	63,446	2,203	1,699	2,041	239,054

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at and for the year ended 31 December 2015 (expressed in QAR'000)

**12. FIXED ASSETS (continued)**

	Plant and machinery	Land and buildings	Equipment	Furniture and fixture	Building renovations	Motor vehicles	Capital work in progress	Total
Accumulated depreciation								
As at 1 January 2014	34,591	5,132	21,986	15,339	1,489	1,030	-	79,567
Depreciation charge*	3,713	830	6,468	3,946	1,015	168	-	16,140
Disposals/transfer	-	-	(11)	-	-	(313)	-	(324)
As at 31 December 2014	<b>38,304</b>	<b>5,962</b>	<b>28,443</b>	<b>19,285</b>	<b>2,504</b>	<b>885</b>	-	<b>95,383</b>
Depreciation charge*	<b>4,522</b>	<b>965</b>	<b>5,816</b>	<b>4,308</b>	<b>1,388</b>	<b>248</b>	-	<b>17,247</b>
Disposals/transfer	-	-	(569)	336	231	(46)	-	(48)
Reclassification to assets of disposal group classified as held-for-sale	-	-	(14,936)	(2,410)	(2,483)	(32)	-	(19,861)
<b>As at 31 December 2015</b>	<b>42,826</b>	<b>6,927</b>	<b>18,754</b>	<b>21,519</b>	<b>1,640</b>	<b>1,055</b>	-	<b>92,721</b>
<b>Net book amount</b>								
As at 31 December 2014	32,269	66,594	11,673	10,180	7,852	860	7,651	137,079
<b>As at 31 December 2015</b>	<b>31,760</b>	<b>65,629</b>	<b>3,769</b>	<b>41,927</b>	<b>563</b>	<b>644</b>	<b>2,041</b>	<b>146,333</b>

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



### 13. INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

##### (b) Results of discontinued operations

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

**14. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (continued)**

*(c) Cash flows*

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

**15. OTHER ASSETS**

Other assets comprise the following:

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

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

**16. FINANCING LIABILITIES**

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

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

**17. OTHER LIABILITIES**

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

**18. EQUITY OF UNRESTRICTED IN VESTMENT ACCOUNT HOLDERS**

	<i>2015</i>	<i>2014</i>
a) By type		
Term accounts	3,038,667	1,809,022
Profit payable to equity of unrestricted investment account holders	15,708	7,491
	<u>3,054,375</u>	<u>1,816,513</u>
b) By sector	<i>2015</i>	<i>2014</i>
Individual	204,648	55,568
Government	162,133	20,324
Corporate	2,687,594	1,740,621
	<u>3,054,375</u>	<u>1,816,513</u>

**18. EQUITY OF UNRESTRICTED IN VESTMENT ACCOUNT HOLDERS (continued)**

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

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

**19. SHARE CAPITAL**

	<i>2015</i>	<i>2014</i>
<b>Authorized</b>		
250,000,000 ordinary shares (2014: 250,000,000 ordinary shares) of QAR 10 each	<u>2,500,000</u>	<u>2,500,000</u>
<b>Issued and paid</b>		
200,000,000 ordinary shares (2014: 200,000,000 ordinary shares) of QAR 10 each	<u>2,000,000</u>	<u>2,000,000</u>

**20. NON-CONTROLLING INTERESTS**

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

**21. REVENUE AND EXPENSES FROM NON-BANKING ACTIVITIES**

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

**22. OTHER INCOME**

	<i>2015</i>	<i>2014</i>
Rental income	11,185	12,434
Other income	13,193	7,822
	<u>24,378</u>	<u>20,256</u>

**23. OTHER OPERATING EXPENSES**

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

**24. BASIC / DILUTED EARNINGS PER SHARE**

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

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

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

**25. CONTINGENT LIABILITIES**

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

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

**26. COMMITMENTS**

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

**27. RELATED PARTIES TRANSACTIONS AND BALANCES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant owners and entities over which the Group and the owners exercise significant influence, directors and senior management personnel of the Group, close family members, entities owned or controlled by them, associates and affiliated companies.

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

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



## **28. ZAKAH**

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

## **29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT**

### **Financial instruments definition and classification**

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

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

### **Fair value of financial instruments**

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

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

### **Risk management**

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

### **Risk framework and governance**

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

## 29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

### Risk framework and governance (continued)

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.

### Investment risk

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

### Credit risk

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

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

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

**29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)****Credit risk (continued)**

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

**Risk**

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

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

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

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

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

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

## 29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

### Credit risk (continued)

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

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

### 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.

## 29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

### Liquidity risk and funding management (continued)

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

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

## 29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

### Liquidity risk and funding management (continued)

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

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Un-dated	Total
At 31 December 2014							
<b>Assets</b>							
Cash and cash equivalents	113,419	782,582	-	-	-	-	896,001
Investments carried at amortised cost	-	-	-	-	748,220	-	748,220
Financing assets	2,366	63,016	3,753	116,247	648,064	-	833,446
Accounts receivable	-	55,077	15,506	62,765	327	-	133,675
Equity investments	-	-	-	385,956	1,091,010	-	1,476,966
Other financial assets	-	12,318	6,417	8,860	45,438	16,053	89,086
<b>Total financial assets</b>	<b>115,785</b>	<b>912,993</b>	<b>25,676</b>	<b>573,828</b>	<b>2,533,059</b>	<b>16,053</b>	<b>4,177,394</b>
<b>Liabilities and equity of unrestricted investment account holders</b>							
Financing liabilities	-	120,360	32,141	43,345	223,580	-	419,426
Customers' current accounts	26,372	-	-	-	-	-	26,372
Other financial liabilities	18,684	71,111	75,483	9,249	3,531	16,074	194,132
Equity of unrestricted investment account holders	-	1,656,458	144,930	10,043	5,082	-	1,816,513
<b>Total financial liabilities</b>	<b>45,056</b>	<b>1,847,929</b>	<b>252,554</b>	<b>62,637</b>	<b>232,193</b>	<b>16,074</b>	<b>2,456,443</b>
<b>Net liquidity gap</b>	<b>70,729</b>	<b>(934,936)</b>	<b>(226,878)</b>	<b>511,191</b>	<b>2,300,866</b>	<b>(21)</b>	<b>1,720,951</b>
<b>Net cumulative gap</b>	<b>70,729</b>	<b>(864,207)</b>	<b>(1,091,085)</b>	<b>(579,894)</b>	<b>1,720,972</b>		
<b>Contingent liabilities</b>	<b>-</b>	<b>3,490</b>	<b>29,240</b>	<b>32,355</b>	<b>2,963</b>	<b>123,748</b>	<b>191,796</b>
<b>Commitments</b>	<b>-</b>	<b>37,503</b>	<b>41,459</b>	<b>12,884</b>	<b>113,177</b>	<b>-</b>	<b>205,023</b>

**29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)****Market risk**

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

**a) Listed equity investments**

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

**b) Non-listed equity investments**

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

**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").

**29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)****Profit rate risk (continued)**

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.

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

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

**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.



## 29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)

### Foreign exchange risk (continued)

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

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

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

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

### Commodities price risk

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

### Operational risk

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

### Concentration risk

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

## **29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)**

### **Capital management**

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

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

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

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

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

**29. FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (continued)****Capital management (continued)**

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:

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

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

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

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy**

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

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

31 December 2015	Level 1	Level 2	Level 3	Total
Equity investments				
- at fair value through equity	99,115	-	26,288	125,403
- at fair value through income statement	-	-	1,283,54	1,283,546
Net gains and losses included in the consolidated statement of changes in owners' equity	(2,106)	-	-	(2,106)
Net gains and losses, recognized through consolidated income statement	-	-	138,135	138,135
31 December 2014	Level 1	Level 2	Level 3	Total
Equity investments				
- at fair value through equity	101,221	-	26,288	127,509
- at fair value through income statement	229,589	-	1,119,868	1,349,457
Net gains and losses included in the consolidated statement of changes in owners' equity	(25,794)	-	-	(25,794)
Net gains and losses, recognized through consolidated income statement	7,801	-	231,857	239,658

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy (continued)**

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

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

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

**Movements in level 3 financial instruments**

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

	At 1 January 2015	Total gains recorded in consolidated income statement	Pur- chases	Sales/ transfers	At 31 December 2015
<b>Equity investments</b>					
- 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

**30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy (continued)**

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

**Transfers between level 1, level 2 and level 3**

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

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

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

### 31. SEGMENT INFORMATION

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

#### Alternative Investments

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

#### Private Bank

The Group's private bank business segment includes private banking, corporate & institutional banking and treasury services. The Private banking department targets qualified High Net Worth clients with Sharia compliant up-market products and services that address personal, business and wealth requirements. The services offers 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.



**31. SEGMENT INFORMATION (continued)**

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

**31. SEGMENT INFORMATION (continued)**

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

**31. SEGMENT INFORMATION (continued)****Geographical segment information**

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

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

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

**31. SEGMENT INFORMATION (continued)**

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

**32. DIVIDENDS**

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

### **33. COMPARATIVE FIGURES**

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

## MANAGEMENT DISCUSSION & ANALYSIS

*The following discussion and analysis should be read in conjunction with the Financial Statements and the notes thereto contained in the Auditor's Report and Financial Statements section of this Prospectus. Investors should also read certain risks that could impact the business, financial position and operations of the Bank as detailed in the Risk Factors section of this Prospectus.*

### 1. FINANCIAL HIGHLIGHTS

This section is based on information sourced from the Financial Statements. Interests in the equity of Subsidiaries not attributable to the Bank are reported in the consolidated statement of financial position as non-controlling interest.

The Financial Statements are presented in Qatari Riyals, which is the Bank's functional and presentation currency. Prior to 2015, the presentation currency for the Financial Statements was USD and where applicable, selected financials were converted to QAR using an exchange rate of USD/QAR of 3.64 for comparison purposes.

The following table shows selected financial information derived from the Financial Statements:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Income from financing assets	25.1	35.3	56.1	274.9%	40.7%	59.2%
Profit from sukuk	8.9	17.6	21.5	-20.4%	97.2%	21.7%
Dividend income	1.0	21.4	8.2	-98.1%	1942.7%	-61.6%
Total income from continuing operations	<sup>10</sup> 641.2	439.5	336.5	46.8%	-31.4%	-23.4%
Total expenses	<b>498.9</b>	<b>280.8</b>	<b>274.9</b>	<b>36.3%</b>	<b>-43.7%</b>	<b>-2.1%</b>
Net profit from discontinued operations	-	0.4	9.7	-	-	2512.3%
Net profit <sup>11</sup>	140.7	158.4	66.0	24.1%	12.6%	-58.3%
Total financing assets	302.1	833.4	1,109.4	39.6%	175.8%	33.1%
Investments in sukuk <sup>12</sup>	272.4	748.2	943.4	42.0%	174.7%	26.1%
Equity investments <sup>13</sup>	1,013.0	1,477.0	1,408.9	30.9%	45.8%	-4.6%
Total assets	3,049.5	4,667.5	5,859.8	39.0%	53.1%	25.5%
Total deposits <sup>14</sup>	306.1	1,842.9	3,077.8	7.7%	502.1%	67.0%
Total liabilities	836.5	2,456.4	3,759.8	85.1%	193.7%	53.1%
Total equity <sup>15</sup>	2,162.4	2,159.2	2,046.1	27.7%	-0.2%	-5.2%

<sup>10</sup> includes revenue contribution of QAR 204.4 million from two Subsidiaries (Al Wasita and Isnad). The revenue contribution from these two Subsidiaries was excluded in subsequent years due to reclassification

<sup>11</sup> attributable to equity holders of the Bank

<sup>12</sup> investment in sukuk are carried at amortized cost

<sup>13</sup> equity investments represent investments in private equity

<sup>14</sup> includes customers' current accounts and equity of unrestricted investment account holders

<sup>15</sup> attributable to equity holders of the Bank

## Selected Financial Information (continued)

	Amount (QAR million)			Growth YOY		
Non-controlling interest	50.6	51.9	54.0	3.2%	2.6%	3.9%
Assets of disposal group held-for-sale	-	-	538.8	-	-	-
Liabilities of disposal group held-for-sale	-	-	357.7	-	-	-
Risk weighted assets (RWA)	5,901.2	9,067.6	9,670.5	340.4%	53.7%	6.6%
Gross non-performing financing assets (NPF)	-	-	75.5	-	-	-
Total regulatory capital (Tier 1)	2,179.2	2,176.7	2,085.4	28.0%	-0.1%	-4.2%
Net cash flow from operating activities	(269.3)	(1,412.0)	(370.4)	124.4%	424.4%	-73.8%
Net cash flow from investing activities	(21.5)	(29.3)	(55.4)	-	36.1%	89.0%
Net cash flow from financing activities	630.9	1,518.1	1,129.6	933.0%	140.6%	-25.6%

Source: Audited consolidated financial statements of the Group

The following table shows key financial ratios:

Key ratios	FY13	FY14	FY15
Net profit margin (NPM) <sup>16</sup>	3.8%	1.8%	1.1%
Cost to income ratio (CIR) <sup>17</sup>	58.6%	51.9%	72.9%
Return on average assets (ROAA) <sup>18</sup>	5.4%	4.1%	1.3%
Return on average equity (ROAE) <sup>19</sup>	7.3%	7.3%	3.1%
Leverage (Tier 1 capital/adjusted assets) <sup>20</sup>	72.3%	47.0%	35.7%
Capital Adequacy Ratio (CAR) <sup>21</sup>	36.9%	24.0%	21.6%
Financing assets/ deposits <sup>22</sup>	98.7%	45.2%	36.0%
RWA/ Total Assets <sup>23</sup>	193.5%	194.3%	165.0%
NPL/ Gross financing assets <sup>24</sup>	-	-	6.8%
Earnings per share (EPS) <sup>25</sup>	0.82	0.79	0.33
Book value per share <sup>26</sup>	10.8	10.8	10.2
Dividends per share (DPS) <sup>27</sup>	0.79	0.80	-

Source: Audited consolidated financial statements of the Group

<sup>16</sup> Income from financing assets, profit from sukuk and income from interbank placements less return to URIA divided by profit bearing assets (financing assets, sukuk and interbank placements)

<sup>17</sup> Based on total income adjusted for URIA, financing costs and revenue from Subsidiaries; and total expenses adjusted for expenses related to the Subsidiaries, financing costs and impairments

<sup>18</sup> Net profit divided by average total assets (including assets of disposal group held-for-sale)

<sup>19</sup> Net profit divided by average total equity (attributable to equity holders of the Bank)

<sup>20</sup> Tier 1 capital (total equity less intangible assets) divided by total assets adjusted for intangible assets

<sup>21</sup> Tier 1 capital divided by RWA

<sup>22</sup> Total financing assets (net of impairments) divided by total deposits (current accounts plus equity of URIA)

<sup>23</sup> RWA divided by total assets (including assets of disposal group held-for-sale)

<sup>24</sup> Gross amount of past due and impaired financing assets divided by gross financing assets

<sup>25</sup> Net profit attributable to equity holders of the Bank divided by total weighted average number of share

<sup>26</sup> Total equity attributable to equity holders of the Bank divided by total outstanding shares

<sup>27</sup> Total dividend (paid in the subsequent year) divided by total outstanding shares

## 2. CONSOLIDATED STATEMENT OF INCOME

### 2.1. TOTAL INCOME

The Group generates income from two business segments (i) Alternative Investments and (ii) Private Bank. Details regarding these business segments have been presented in the Business of the Bank section of this Prospectus.

It is important to highlight that the assets and liabilities of two of the Subsidiaries (Al Wasita and Isnad), that fall under the Alternative Investments business segment and were fully consolidated in the Financial Statements, were reclassified as held-for-sale in the consolidated financial position in FY15. This step was undertaken in line with the requirements of the respective accounting standards and the Bank's negotiations with new investors to invest in the two Subsidiaries, resulting in potential dilution of the Bank's majority share ownership. Revenue from these two Subsidiaries, which was previously reported under the Alternative Investments business segment, was reclassified and reported net of expenses under a new line item, profit from discontinued operations, in QFB's consolidated income statement for FY14 and FY15 for comparative purposes. For recent developments regarding the two Subsidiaries (Al Wasita and Isnad), see *Business of the Bank – Recent Developments* section of this Prospectus.

The following table presents a breakdown of total income by business segment for the year ended 31 December 2013, 2014 and 2015

Income by business segment	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Alternative Investments	*613.7	417.6	311.6	53.8%	-31.9%	-25.4%
Private Bank	13.5	9.5	13.7	-45.2%	-29.8%	44.4%
Other	14.0	12.4	11.2	7.1%	-10.9%	-9.9%
<b>Total income by business segment</b>	<b>641.2</b>	<b>439.5</b>	<b>336.5</b>	<b>46.8%</b>	<b>-31.4%</b>	<b>-23.4%</b>

Source: Audited consolidated financial statements of QFB

\* includes revenue contribution of QAR 204.4 million from two Subsidiaries (Al Wasita and Isnad). The revenue contribution from these two Subsidiaries was excluded in subsequent years due to reclassification

The following table presents the contribution of each business segment to total income:

Income contribution by business segment	FY13	FY14	FY15
Alternative Investments	95.7%	95.0%	92.6%
Private Bank	2.1%	2.2%	4.1%
Other	2.2%	2.8%	3.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited consolidated financial statements of QFB

Total income for the Group is reported net of income payable to the unrestricted investment account holders i.e. the Bank's depositors and amounted to QAR 336.5 million in FY15. Over the last three years, the total income has fluctuated with a YOY decrease of 23.4% and 31.4% in FY15 and FY14, respectively and increase of 46.8% in FY13. Alternative Investments, a key contributor accounting for over 90% of the Group's total income generated over the past three years, was a key underlying driver of this fluctuation due to reclassification of two Subsidiaries (Al Wasita and Isnad). Income from this business segment was impacted by the movement in the fair value of investments and reclassification of these two Subsidiaries from FY14 as explained later under section 1.1.2 Revenue from Non-Banking Activities. Excluding the reclassification impact of these



two Subsidiaries, the Group's total income would have increased by QAR 307.0 million and QAR 240.4 million in FY15 and FY14 respectively, resulting in a YOY decrease of only 5.4% in FY15 and an increase of 6.0% in FY14.

### 2.1.1. Alternative Investments

This business segment generates income from gains on re-measurement of investments carried at FVTIS, capital gains/losses realized on successful divestments, dividend income, profit received on financing and income from advisory.

The following table presents a breakdown of total income generated under Alternative Investments:

Income from Alternative Investments	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Gain on re-measurement of investments carried at FVTIS	242.3	239.7	138.1	647.6%	-1.1%	-42.4%
Revenue from non-banking activities	*316.6	116.7	109.8	99.1%	-63.1%	-5.9%
Income from financing assets	25.0	24.9	26.1	260.2%	-0.4%	4.7%
Net gain on disposal of assets	27.8	10.7	19.8	128.5%	-61.4%	85.0%
Dividend income	1.0	21.4	8.2	-98.1%	1942.7%	-61.6%
Other income	1.0	4.2	9.5	-64.2%	317.1%	127.4%
<b>Total income from Alternative Investments</b>	<b>613.7</b>	<b>417.6</b>	<b>311.6</b>	<b>-53.8%</b>	<b>-31.9%</b>	<b>-25.4%</b>

Source: Audited consolidated financial statements of QFB

\* includes revenue contribution of QAR 204.4 million from two Subsidiaries (Al Wasita and Isnad). The revenue contribution from these two Subsidiaries was excluded in subsequent years due to reclassification

The following table presents contribution from different sources of income:

Income contribution (% of total segment income)	FY13	FY14	FY15
Gain on re-measurement of investments carried at FVTIS	39.5%	57.4%	44.3%
Revenue from non-banking activities	51.6%	28.0%	35.2%
Income from financing assets	4.1%	6.0%	8.4%
Net gain on disposal of assets	4.5%	2.6%	6.4%
Dividend income	0.2%	5.1%	2.6%
Other income	0.2%	1.0%	3.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited consolidated financial statements of QFB

The key drivers of total income from Alternative Investments are fair value gains on investments and revenue from non-banking activities contributed by the Subsidiaries that fall under the Alternative Investments business segment. In line with the historical trend, these revenue drivers were a key contributor of total income, accounting for 79.6% of the total income in FY15.

During FY15, total income from Alternative Investments amounted to QAR 311.6 million, a decrease of 25.4% compared to FY14. The decrease is primarily attributable to a YOY decline of 42.4% in fair value gains on investments. During FY14, total income from Alternative Investments amounted to QAR 417.6 million, a decrease of 31.9% as compared to QAR 613.7 million in FY13. The

decrease resulted from the reclassification of two of the Subsidiaries (Al Wasita and Isnad) as held-for-sale in FY15 in anticipation of new investor(s) which are expected to dilute the Bank's majority share ownership. Had the Bank not reclassified these Subsidiaries, total revenue from non-banking activities would have increased by QAR 307.0 million and QAR 240.4 million in FY15 and FY14, respectively. Similarly, total income from Alternative Investments would have increased to reach QAR 618.6 million in FY15 (-6.0% YOY) and QAR 658.0 million in FY14 (+7.2% YOY).

During FY13, total income from Alternative Investments amounted to QAR 613.7 million, a decrease of 53.8% compared to FY12. The reason for this large decrease stemmed from the legal restructuring of ENPI for the purpose of spinning off the business into technology and packaging divisions. The packaging division was subsequently disposed of, while the Bank retained a 71.3% equity stake in the technology division (Future Card). The net impact was a decline in overall total income from Alternative Investments in FY13.

#### **2.1.1.1. Gain on Re-Measurement of Investments Carried at Fair Value through the Income Statement**

Investments carried at FVTIS are comprised of venture capital investments and other investments in which the Bank holds less than or equal to a 50% equity stake.

The following table presents the fair value changes by investment over the last three years:

<b>Fair value gains (amounts in QAR million)</b>	<b>Acquisition Date</b>	<b>Ownership*</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Cambridge Medical	Mar-15	15.6%	-	-	14.6
Food Services Company	Dec-14	49.0%	-	10.6	10.9
David Morris **	Jan-14	50.0%	0.3	20.5	35.8
Avivo Group	Dec-13	10.5%	-	7.3	65.5
English Home	Nov-12	40.0%	10.9	80.1	-
Leinster Square**	Aug-12	40.5%	-	5.6	5.5
Westbourne House**	Jun-12	38.1%	-	13.1	5.8
Al Rifai International	Dec-11	35.3%	5.5	7.3	-
Kuwait Energy Company	Jun-11	2.2%	12.7	-	-
Memorial Healthcare	Aug-10	20.0%	25.5	87.4	-
Al Noor Hospital	Apr-10	0.0%	187.4	7.8	-
<b>Total</b>			<b>242.3</b>	<b>239.7</b>	<b>138.1</b>

Source: QFB Management Accounts

\* as of 31 December 2015

\*\*net of any foreign exchange differences

During FY15, QFB reported fair value gains of QAR 138.1 million led by a significant increase in valuation of Avivo Group and David Morris. The increase in valuation of the latter company reflected business expansion and higher expected cash flows. Overall fair value gains of QAR 138.1 million in FY15 decreased by 42.4% as compared to FY14. In FY14, Memorial Healthcare and English Home were the key contributors of fair value gains. During FY13, fair value gains amounted to QAR 242.3 million and were predominantly driven by Al Noor Hospital which unlocked significant value for the investors post listing on the London Stock Exchange.

#### 2.1.1.2. Revenue from Non-Banking Activities

Revenue from non-banking activities represents income generated from the Subsidiaries that fall under the Alternative Investments business segment. The Bank holds more than 50% stake and has control in these Subsidiaries which are fully consolidated in the Financial Statements. During FY15, revenue from non-banking activities represented contribution from only one Subsidiary as the assets and liabilities of the other two Subsidiaries (Al Wasita and Isnad) were reclassified as held-for-sale. The Subsidiary retained by the Bank as part of continuing operations generated total revenue of QAR 109.8 million, a decrease of 5.9% as compared to FY14. The decline was attributable to a slight drop in sales as the subsidiary refocused on more profitable customers to enhance margins.

The following table presents a breakdown of revenue from non-banking activities:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Sales	*312.8	115.6	109.5	99.5%	-63.1%	-5.3%
Other income	3.7	1.2	0.4	65.7%	-68.2%	-69.8%
<b>Revenue from non-banking activities</b>	<b>316.6</b>	<b>116.7</b>	<b>109.8</b>	<b>99.1%</b>	<b>-63.1%</b>	<b>-5.9%</b>

Source: Audited consolidated financial statements of QFB

\* includes revenue contribution of QAR 204.4 million from two Subsidiaries (Al Wasita and Isnad). The revenue contribution from these two Subsidiaries was excluded in subsequent years due to reclassification

In FY14, income from non-banking activities amounted to QAR 116.7 million, a decrease of 63.1% as compared to FY13. The reason for this sharp decline is attributable to the reclassification of two of the Subsidiaries (Al Wasita and Isnad) which were fully consolidated in the Financial Statements. As of FY14, revenue from these Subsidiaries was reported net of expenses under profit from discontinued operations in QFB's consolidated income statement. Total revenue from these two Subsidiaries amounted to QAR 307.0 million and 240.4 million in FY15 and FY14 respectively, a YOY increase of 27.7%. As mentioned earlier, the Bank was in process of negotiating with new investor(s) to invest in these Subsidiaries, which is expected to dilute the Bank's majority share ownership.

In FY13, income from non-banking activities amounted to QAR 316.6 million, an increase of 99.1% as compared to FY12. The reason for this sharp increase was the contribution of revenue from a new Subsidiary, Al Wasita in which the Bank acquired an 85.0% stake in mid FY12.

#### 2.1.1.3. Income from Financing Assets

Income from financing assets is generated from any debt financing that the Bank provides to the Investee Companies as part of funding its investments in private equity business. During FY15, QFB recorded total financing income of QAR 26.1 million, an increase of 4.7% compared to QAR 24.9 million earned in FY14. In FY14 financing income amounted to QAR 24.9 million and remained broadly stable as compared to FY13. The average profit rate increased from 8.8% in FY14 to 9.2% in FY15 reflecting the Bank's focus on higher profit generating assets.

#### 2.1.1.4. Net Gain / (Loss) on Disposal of Assets

This mainly represents capital gains/ losses realized on disposal of equity and real estate investments and convertible murabaha. Equity investments usually have a holding period of three to five years. It is important to highlight that the Bank revalues its investments on each financial

reporting date. Accordingly, any gain or loss incurred on disposal of investments represents the gain or loss from the previous valuation date and not from the acquisition date i.e. acquisition cost.

The following table presents a breakdown of net gains on disposal of assets:

<b>Net gain/(loss) on disposal of assets</b>	<b>Amount (QAR million)</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Investment in real estate	-	-	17.0
Convertible murabaha	-	-	32.2
Equity investments	27.8	10.7	(29.4)
<b>Net gains / (losses) on disposal of assets</b>	<b>27.8</b>	<b>10.7</b>	<b>19.8</b>

Source: Audited consolidated financial statements of QFB

During FY15, the Bank booked profit of QAR 17.0 million on disposal of a plot of land in Dubai. The Bank also took advantage of favorable market conditions to sell a convertible murabaha receivable due from one of its Investee Companies and realized a profit of QAR 32.2 million.

The positive gains realized in FY15 from these transactions were partially offset by a loss of QAR 29.4 million incurred upon fully exiting equity investment in Al Noor Hospital. The loss incurred of QAR 29.4 million represented the impact of the exit price vs. fair value re-measurement of this investment in FY14.

The sale of these Al Noor Hospital, Nobles Consortium and convertible murabaha generated cash inflow of QAR 485.6 million (USD 133.4 million) and healthy returns for the shareholders of the Bank over the investment holding period as summarized in the table below:

<b>Name</b>	<b>Acquisition Date</b>	<b>Date of Divestment</b>	<b>Stake</b>	<b>IRR</b>
Al Noor Hospital	Apr-10	Apr-15	14%	49.0%
Convertible Murabaha	Sep-12	Dec-15	-	12.9%
Nobles Consortium	Mar-09	Jan-15	50%	7.3%

Source: QFB Management Accounts

#### **2.1.1.5. Dividend Income**

Dividend income is generated from the investments in private equity including venture capital. During FY15, QFB benefitted from total dividend income of QAR 8.2 million received from two Investee Companies. Compared to FY14, dividend income in FY15 decreased by 61.6% YOY as two of the Investee Companies that paid dividends in FY14 did not pay any dividends in FY15. These included Al Noor Hospital which was divested in FY15 and Al Rifai which decided to reinvest its earnings to support business growth instead of paying dividends. Al Rifai distributed a dividend of QAR 15.4 million to QFB in FY14 after realizing gains from selling one of its overseas operations. Al Rifai was a key contributor, accounting for 72.0% of QFB's total dividend income in FY14. During FY13, the Bank received only QAR 1.0 million in dividend income from one of its Investee Companies, Al Jazeera Finance.

The following table shows the breakdown of dividend income:

<b>Company Name</b> (amounts in QAR million)	<b>Acquisition Date</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Avivo Group	Dec-13	-	0.3	6.6
Al Rifai International	Dec-11	-	15.4	-
Al Noor Hospital	Apr-10	-	4.2	-
Al Jazeera Finance	Jun-09	1.0	1.5	1.7
<b>Total</b>		<b>1.0</b>	<b>21.4</b>	<b>8.2</b>

Source: QFB Management Accounts

#### 2.1.1.6. Other Income

Other income mainly includes net gains on foreign currency translation and one-off corporate advisory fees. During FY15, other income amounted to QAR 9.5 million, an increase of 127.4% as compared to FY14 due to significant gains from hedging foreign currency exposure. In FY14, other income amounted to QAR 4.2 million comprising mainly of advisory fees charged to one of the Investee Companies, while in FY13 other income amounted to QAR 1.0 million.

#### 2.1.2. Private Bank

This business segment began to feature more prominently in FY14 following the Bank's strategy to expand its licensed activities to include Private Banking & Wealth Management services, Corporate & Institutional Banking services and Treasury & Investment Management operations. The key income drivers of this business segment are income generated from financing activities, profit earned from investments in sukuk and income from placement with financial institutions, which together accounted for over 90% of the total Private Bank income generated in FY15.

Total income from Private Bank is reported net of returns paid to URIA i.e. Bank's depositors. For its deposit accounts, the Bank acts as a mudarib and shares profit with the depositors based on pre-agreed profit-sharing ratio calculations.

The following table presents a breakdown of total income generated under Private Bank:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
<b>Income from Private Bank</b>						
Income from financing assets	0.1	10.4	30.1	-130.4%	13470.1%	190.0%
Profit on investments carried at amortized cost	8.9	17.6	21.5	-20.4%	97.2%	21.7%
Income from placement with FIs	-	5.3	10.3	-	-	96.3%
Gain on disposal of investments carried at amortized cost	4.1	-	2.5	-69.8%	-100.0%	-
Other income	0.4	3.6	3.7	600.0%	850.0%	0.5%
<b>Total income before return to URIA (depositors)</b>	<b>13.5</b>	<b>36.9</b>	<b>68.0</b>	<b>-45.2%</b>	<b>172.8%</b>	<b>84.4%</b>
Less: Return to URIA (depositors)	-	(27.4)	(54.3)	-	-	98.3%
<b>Net total income from Private Bank</b>	<b>13.5</b>	<b>9.5</b>	<b>13.7</b>	<b>-45.2%</b>	<b>-29.8%</b>	<b>44.4%</b>

Source: Audited consolidated financial statements of QFB

The following table presents contribution from different sources of income:

<b>Income Contribution</b> (% of net total segment income)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Income from financing assets	0.6%	28.1%	44.2%
Profit on investments carried at amortized cost	66.1%	47.8%	31.5%
Income from placement with financial institutions	0.0%	14.2%	15.2%
Gain on disposal of investments carried at amortized cost	30.5%	0.0%	3.7%
Other income	2.8%	9.8%	5.4%
<b>Total income before return to depositors</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited consolidated financial statements of QFB

During FY15, total income generated from the Private Bank business segment before deducting return to the depositors amounted to QAR 68.0 million, an increase of 84.4% compared to FY14. This was driven by the Bank's new strategy on increasingly targeting private and corporate banking clients and raising deposits. The sharp increase in deposit base enabled the Bank to expand its balance sheet through growing its financing portfolio and increasing investments in sukuk. The Bank also channeled some of the deposit inflows into fixed income and short term securities. Consequently, financing income, profit from investments carried at amortized costs which represent sukuk holdings and income from placements with financial institutions increased and contributed positively to total income from Private Bank.

During FY14, total income from Private Bank before deducting return to the depositors amounted to QAR 36.9 million, a significant YOY increase of 172.8% compared to total income of QAR 13.5 million recognized in FY13 led by growth in financing income. Net income fluctuated in FY15 and FY14 due to the returns paid to the depositors. No returns were paid in FY13 as the deposits were acquired towards the end of FY13 and generated minimal income.

#### **2.1.2.1. Income from Financing Assets**

Income from financing activities primarily represents the profit earned from murabaha financing and ijara receivables. This income stream has gained more significance over the last three years growing from QAR 0.1 million in FY13 to QAR 30.1 million in FY15, fueled by the Bank's new business strategy. The growth was led by an increase in financing facilities by targeting HNWI and corporate and institutional clients. The annual rate of return on murabaha financing increased from 4.29% as of year-end FY14 to 4.71% as of year-end FY15 driven by the shift in market rates.

#### **2.1.2.2. Profit on Investments Carried at Amortized Cost**

Profit on investments carried at amortized costs represents the profit received from sukuk holdings that are publicly listed in international markets and are traded over-the-counter. The Bank has actively invested in sukuk which grew at a 3Y CAGR of 70.1% and contributed to the increase in profit from sukuk investments over the last three years. During FY15, the Bank recorded profit from sukuk of QAR 21.5 million, an increase of 21.7% compared to FY14. In the previous year, the Bank reported profit from sukuk of QAR 17.6 million, an increase of 97.2% compared to FY13. In both years, the Bank utilized some of the deposit funds to purchase sukuk. In FY13, profit from sukuk amounted to QAR 8.9 million, a decrease of 20.4% compared to FY12.

#### **2.1.2.3. Income from Placements with Financial Institutions (Fis)**

This represents profit earned on cash and cash balances with banks and placement with Fis in the form of wakala, murabaha and other Islamic investments with a contractual maturity of three months or less. During FY15, income from placements with Fis amounted to QAR 10.3 million, an increase of 96.3% as compared to FY14 due to increase in cash balances stemming from an increase in deposits and disposal of equity and real estate investments as well as a slight increase in average profit rates paid on wakala and murabaha deposits. In FY14, income from placements with Fis amounted to QAR 5.3 million. The Bank did not recognize any income from placements in FY13.

#### **2.1.2.4. Gain On Disposal of Investments Carried At Amortized Cost**

This represents capital gains realized on sale of selected sukuk holdings that were held to maturity by the Bank. During FY15 and FY13, the Bank realized gains of QAR 2.5 million and QAR 4.1 million, respectively.

#### **2.1.2.5. Other Income**

Other income from the Private Bank business segment primarily comprises of arrangement fees related to financing facilities and credit card income. During FY15, other income amounted to QAR 3.7 million compared to QAR 3.6 million in FY14.

#### **2.1.2.6. Return on Unrestricted Investment Account Holders / (Net Mudaraba Income)**

The Bank accepts funds from customers and invests them on the customer's behalf at its discretion in its role as the mudarib. The allocation of profit of investments, which is jointly financed by the Bank and unrestricted investments account holders, is determined by the management of the Bank within pre-agreed profit sharing limits as per terms and conditions of the investment accounts. Income recognized is net of any impairment. As at FY13 and FY14, no impairment was recognized in the assets attributable to unrestricted investment account holders. Administrative expenses in connection with management of the fund are borne directly by the Bank.

During FY15, the Group reported return of QAR 57.9 million on such funds with QAR 31.1 million allocated to the depositors. An additional amount of QAR 23.2 million was also allocated as the Bank waived some of its share of profit as mudarib. This resulted in a total return of QAR 54.3 million to the equity holders and net mudaraba income of QAR 3.6 million was realized by the Bank. The average cost of funding increased by 8 Bps from 1.8% to 2.6% partially due to overall shift in profit rates in the market as well as the Bank's strategy to strengthen its deposit base.

In FY14, the return generated was significantly lower at QAR 31.2 million mainly due to lower deposits. A total of QAR 14.0 million was allocated to the depositors. Similar to FY15, the Bank waived a portion (QAR 13.4 million) of its profit share to align with general market profit rates. This resulted in a total return of QAR 27.4 million to the equity holders and net mudaraba income of QAR 3.9 million. No mudaraba income was allocated in FY13 as deposit taking started only towards the end of FY13 following the implementation of the new strategy of increasingly focusing on commercial and private banking activities.

The following table presents a breakdown of net mudaraba income earned by the Bank:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Return before Bank's share	-	31.2	57.9	-	-	85.3%
Less: Return on URIA	-	(14.0)	(31.1)	-	-	122.7%
Less: Share of profit waived by the Bank in favor of URIA	-	(13.4)	(23.2)	-	-	73.0%
<b>Total return to URIA (depositors)</b>	-	<b>(27.4)</b>	<b>(54.3)</b>	-	-	98.3%
<b>Bank's net mudaraba income</b>	-	<b>3.9</b>	<b>3.6</b>	-	-	<b>-6.9%</b>
<b>Total deposits</b>	<b>248.5</b>	<b>1,816.5</b>	<b>3,054.4</b>	-	<b>631.0%</b>	<b>68.1%</b>
<b>Average cost of funding*</b>	-	<b>1.8%</b>	<b>2.6%</b>			

Source: Audited consolidated financial statements of QFB

\*represents weighted average profit rate as of 31 December 2015

### 2.1.3. Other

This segment is comprised of central management and support functions of the Bank (see *Business of the Bank – Support Functions* section of this Prospectus) and mainly represents rental income from sub-leasing several floors of the Bank's premises to third parties. The Bank sold its Head Office building in FY10 and subsequently, leased it back under an agreement that expires on 31 December 2020. Currently, the Bank operates through the ground floor, mezzanine and three other floors. The remaining floors are sub-leased to third party tenants.

As shown in the table below, during FY15, other income amounted to QAR 11.2 million, a decrease of 9.9% compared to FY14. The reason for the decrease was due to loss of revenue from two floors from a prior tenant as these floors were utilized by the Bank for housing the new premium private lounge which was launched in December 2015. During FY14, other income amounted to QAR 12.4 million, a decrease of 10.9% as compared to FY13 due to a decrease in the leased floor area to certain tenants. In FY13, other income amounted to QAR 14.0 million, an increase of 7.1% compared to FY12.

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Other income	14.0	12.4	11.2	7.1%	-10.9%	-9.9%

Source: Audited consolidated financial statements of QFB

### 2.2. Total Expenses

Total expenses mainly comprise of non-banking activity expenses related to the Subsidiaries that fall under the Alternative Investments business segment and staff costs for the Bank. In FY15, these expenses mainly represented the continuing operations of one of the Subsidiaries, which together with staff costs contributed 71.5% of the total expenses in FY15. Another key contributor was other operating expenses, which accounted for 20.0% of total expenses in FY15. The remaining 8.5% is comprised of financing costs and depreciation and amortization.



The following table presents a breakdown of total expenses from continuing operations:

Total expenses	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Non-banking activity expenses	*308.8	110.0	105.7	73.7%	-64.4%	-3.9%
Staff costs	112.1	91.9	90.8	6.4%	-18.0%	-1.1%
Other operating expenses	69.6	63.7	55.1	-7.3%	-8.5%	-13.5%
Financing costs	0.2	6.7	14.2	-	3223.7%	113.1%
Depreciation & amortization	8.2	8.6	9.1	6.4%	3.9%	6.6%
<b>Total expenses</b>	<b>498.9</b>	<b>280.8</b>	<b>274.9</b>	<b>36.3%</b>	<b>-43.7%</b>	<b>-2.1%</b>

Source: Audited consolidated financial statements of the Group

\* includes expenses of QAR 203.3 million from two Subsidiaries (Al Wasita and Isnad) that were excluded in FY14 and FY15 due to reclassification

The following table presents the contribution of different expenses:

Expense contribution (% of total expenses)	FY13	FY14	FY15
Non-banking activity expenses	61.9%	39.2%	38.5%
Staff costs	22.5%	32.7%	33.0%
Other operating expenses	14.0%	22.7%	20.0%
Financing costs	0.0%	2.4%	5.2%
Depreciation & amortization	1.7%	3.0%	3.3%
<b>Total expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited consolidated financial statements of QFB

During FY15, total expenses amounted to QAR 274.9 million, slightly lower (-2.1%) than FY14 due to decrease in non-banking activity and other operating expenses. During FY14, total expenses amounted to QAR 280.8 million, a decrease of 43.7% as compared to FY13, due to reclassification of two Subsidiaries (Al Wasita and Isnad). In FY13, total expenses amounted to QAR 498.9 million, an increase of 36.3% compared to FY12.

### 2.2.1. Non-Banking Activities Expenses

Non-banking activities expenses are comprised of cost of sales, financing cost and other expenses related to one of the Subsidiaries with cost of sales being the key driver. During FY15, total non-banking activity expenses from continuing operations amounted to QAR 105.7 million, slightly lower (-3.9%) as compared to FY14 due to a decrease in cost of sales led by lower sales and cost control which limited other expenses. During FY14, total non-banking activity expenses amounted to QAR 110.0 million, a decrease of 64.4% as compared to FY13 due to the reclassification of two Subsidiaries (Al Wasita and Isnad) as noted earlier. In FY13, non-banking activities' expenses amounted to QAR 308.8 million, an increase of 73.7% compared to FY12. This increase resulted from the consolidation of expenses from Al Wasita, which the Bank acquired in mid FY12.

The following table presents a breakdown of total expenses from continuing operations:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
<b>Expenses from non-banking activities</b>						
Cost of sales	*223.1	83.2	80.8	94.6%	-62.7%	-2.9%
Other expenses	75.4	24.9	23.7	58.0%	-66.9%	-4.8%
Finance costs	10.3	1.9	1.3	-33.5%	-81.8%	-33.1%
<b>Total expenses from non-banking activities</b>	<b>308.8</b>	<b>110.0</b>	<b>105.7</b>	<b>73.7%</b>	<b>-64.4%</b>	<b>-3.9%</b>

Source: Audited consolidated financial statements of QFB

\*includes expenses of QAR 203.3 million from two Subsidiaries (Al Wasita and Isnad) that were excluded in FY14 and FY15 due to reclassification

### 2.2.2. Staff Cost

Staff cost includes salaries, performance bonuses, allowances and benefits. As of FY15, the Bank employed a total of 101 staff. During FY15, staff costs amounted to QAR 90.8 million and were broadly stable compared to FY14. Staff costs have been on a declining trend in FY14 and FY15 due to prudent cost control by the management.

### 2.2.3. Other Operating Expenses

Other operating expenses are comprised of rent expense incurred on leasing the Bank's premises, professional services and other general and administrative expense. The following table presents a breakdown of other operating expenses:

	Amount in QAR million			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
<b>Other operating expenses</b>						
Rent expense	24.6	22.8	22.6	8.9%	-7.0%	-1.1%
Directors' remuneration	8.8	13.2	-	-16.5%	49.8%	-
Professional services	12.3	16.4	10.2	-31.2%	33.2%	-37.7%
Other general and administrative expenses	23.9	11.2	22.3	-0.5%	-53.1%	98.6%
<b>Total other operating expenses</b>	<b>69.6</b>	<b>63.7</b>	<b>55.1</b>	<b>-7.3%</b>	<b>-8.5%</b>	<b>-13.5%</b>

Source: Audited consolidated financial statements of QFB

Total other operating expenses amounted to QAR 55.1 million in FY15, a decrease of 13.5% compared to FY14. This was driven by a decrease in professional fees which had escalated in the previous year due to fees paid to external advisors for conducting due diligence on potential investment acquisitions and success fees. Although other general and administration expenses surged due to expenses related to re-branding and investment in information technology, effective cost control measures undertaken by the management and the Board's decision to waive their remuneration resulted in an overall decline in other operating expenses.

During FY14, total other operating expenses amounted to QAR 63.7 million, a decrease of 8.5% compared to FY13. This decrease was driven by a 7.0% decrease in rental expense due to termination of a lease agreement following change in plans regarding set up of a branch and 53.1% decrease in other general and administration expenses. The declining trend in expenses was also witnessed in FY13 when total other operating expenses dropped by 7.3% to reach QAR 69.6 million.

#### 2.2.4. Financing Costs

The financing costs mainly relate to bank financing and amounted to QAR 14.2 million during FY15, more than double as compared to QAR 6.7 million in FY14 as the Bank relied on debt financing for funding three equity investments. During FY13, financing costs amounted to QAR 0.2 million.

#### 2.2.5. Depreciation and Amortization

During the historical period, depreciation and amortization expense was calculated on a straight-line basis over the estimated lives of the fixed assets and intangible assets. During FY15, these expenses amounted to QAR 9.1 million, an increase of 6.6% as compared to FY14. The increase was mainly attributable to the purchase of additional software related to the core banking system. During FY14, depreciation and amortization expenses amounted to QAR 8.6 million, a YOY increase of 3.9% as the Bank invested in building renovations and banking software. In FY13, depreciation and amortization expenses amounted to QAR 8.2 million, an increase of 6.4% as compared to FY12.

#### 2.2.6. Cost to Income Ratio

The CIR is calculated by adjusting total expenses for expenses related to the Subsidiaries or non-banking activities, financing costs and impairments. Similarly, total income for the Group (net of return to URIA) is adjusted for financing costs and revenue from non-banking activities as shown in the table below:

	FY13	FY14	FY15
Total income	<b>*641.2</b>	<b>466.9</b>	<b>390.9</b>
Less return to URIA	-	(27.4)	(54.3)
Less financing costs	(0.2)	(6.7)	(14.2)
Less revenue from non-banking activities	(316.6)	(116.7)	(109.8)
<b>Adjusted total income</b>	<b>324.4</b>	<b>316.2</b>	<b>212.5</b>
Total expenses (including impairments)	**498.9	280.8	278.2
Less non-banking activities expenses	(308.8)	(110.0)	(105.7)
Less financing costs	(0.2)	(6.7)	(14.2)
Less impairments			(3.3)
<b>Adjusted total expenses</b>	<b>189.9</b>	<b>164.1</b>	<b>155.0</b>
<b>Cost to income ratio (CIR)</b>	<b>58.6%</b>	<b>51.9%</b>	<b>72.9%</b>

Source: QFB Management Accounts

\*includes revenue contribution of QAR 204.4 million from two Subsidiaries (Al Wasita and Isnad). The revenue contribution from these two Subsidiaries was excluded in subsequent years due to reclassification

\*\* includes expenses of QAR 203.3 million from these two Subsidiaries that were excluded in FY14 and FY15 due to reclassification

The CIR increased from 51.9% in FY14 to 72.9% in FY15 mainly due to a significant decrease in total income and a relatively slight decrease in total expenses.

#### 2.3. Net Profit

Net profit for the Group is reported after deducting taxes and minority interest. No tax liability was applicable as per QFC Tax Regulations as there was no taxable profit generated during the last three years. During FY15, net profit attributable to equity holders of the Bank amounted to QAR

66.0 million, a decrease of 58.3% as compared to FY14 due to lower income. The Group also reported profit from discontinued operations of QAR 9.7 million representing the net profit from two Subsidiaries (Al Wasita and Isnad) that were reclassified.

During FY14, net profit including profit from discontinued operations amounted to QAR 158.4 million, an increase of 12.6% compared to FY13 as a decrease in expenses more than offset the decline in income. During FY13, the Group reported net profit of QAR 140.7 million, representing a YOY increase of 24.1%.

The following table shows net profit from continuing and discontinued operations:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Total income	*641.2	439.5	336.5	46.8%	-31.4%	-23.4%
Total expense	*(498.9)	(280.8)	(278.2)	36.3%	-43.7%	-0.9%
Income tax expense	-	-	-	-	-	-
<b>Net profit from continuing operations</b>	<b>142.2</b>	<b>158.8</b>	<b>58.3</b>	100.8%	11.6%	-63.3%
Profit from discontinued operations, net of tax	-	0.4	9.7	-100.0%	-	2512.3%
<b>Net profit for the year</b>	<b>142.2</b>	<b>159.2</b>	<b>68.1</b>	<b>29.8%</b>	<b>11.9%</b>	<b>-57.2%</b>
<b>Attributable to:</b>						
Equity holders of the bank	140.7	158.4	66.0	24.1%	12.6%	-58.3%
Non-controlling interests	1.6	0.7	2.0	-141.6%	-52.3%	174.7%

Source: Audited consolidated financial statements of QFB

\*includes revenue of QAR 204.4 million and expenses of QAR 203.3 million from two Subsidiaries (Al Wasita and Isnad) that were excluded in FY14 and FY15 due to reclassification

### 3. CONSOLIDATED BALANCE SHEET

#### 3.1. Total Assets

Total assets have grown over the past three year (3Y CAGR 38.7%) driven mainly by the Bank's new strategy of focusing on enhancing its private banking operations to include deposit taking, providing financing facilities and investment in private equity. The key growth drivers of total assets in FY15 were cash and cash equivalents, investments carried at amortized cost (sukuk) and financing assets funded by the increase in deposits.

The table below presents the Group's total assets for the years ending 31 December 2013, 2014, and 2015:

<b>Assets</b>	<b>Amount (QAR million)</b>			<b>Growth YoY</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Cash and cash equivalents	819.2	896.0	1,599.8	71.0%	9.4%	78.6%
Investments carried at amortized cost	272.4	748.2	943.4	42.0%	174.7%	26.1%
Financing assets	302.1	833.4	1,109.4	39.6%	175.8%	33.1%
Accounts receivable	120.6	133.7	25.7	69.9%	10.9%	-80.8%
Inventories	38.2	45.5	42.9	-8.0%	19.4%	-5.8%
Equity investments	1,013.0	1,477.0	1,408.9	30.9%	45.8%	-4.6%
Investments in real estate	224.0	273.1	-	13.7%	21.9%	-100.0%
Fixed assets	133.4	137.1	146.3	2.7%	2.8%	6.8%
Intangible assets	33.9	34.4	14.6	-13.7%	1.5%	-57.5%
Assets of disposal group classified as held-for-sale	-	-	538.8	-	-	-
Other assets	92.8	89.1	29.9	71.1%	-4.0%	-66.5%
<b>Total assets</b>	<b>3,049.5</b>	<b>4,667.5</b>	<b>5,859.8</b>	<b>39.0%</b>	<b>53.1%</b>	<b>25.5%</b>

Source: Audited consolidated financial statements of QFB

The following table shows a common size analysis of total assets:

<b>Assets (% of total assets)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Cash and cash equivalents	26.9%	19.2%	27.3%
Investments carried at amortized cost	8.9%	16.0%	16.1%
Financing assets	9.9%	17.9%	18.9%
Accounts receivable	4.0%	2.9%	0.4%
Inventories	1.3%	1.0%	0.7%
Equity investments	33.2%	31.6%	24.0%
Investments in real estate	7.3%	5.9%	0.0%
Fixed assets	4.4%	2.9%	2.5%
Intangible assets	1.1%	0.7%	0.2%
Assets of disposal group classified as held-for-sale	0.0%	0.0%	9.2%
Other assets	3.0%	1.9%	0.5%
<b>Total assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited consolidated financial statements of QFB

### 3.1.1. Cash and Cash Equivalents

Cash and cash equivalents represent amounts placed with banks and financial institutions on a short term with a contractual maturity of three months or less under wakala, murabaha and other Islamic investments. As of 31 December 2015, cash and cash equivalents amounted to QAR 1,599.8 million, an increase of 78.6% led by the increase in customer deposits and cash inflow from disposal of equity and real estate investments. As of 31 December 2014, cash and cash equivalents amounted to QAR 896.0 million, an increase of 9.4% compared to FY13 led by higher inflow from deposits. As of 31 December 2013, cash and cash equivalents amounted to QAR 819.2 million, an increase of 71.0% compared to the previous year. This sharp increase was due to capital injection through issuance of new shares.

The following table shows the breakdown of cash and cash equivalents:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Cash and cash equivalents						
Cash on hand	2.6	4.9	0.1	119.7%	86.2%	-98.2%
Balances with banks (current account)	400.0	108.5	93.3	426.0%	-72.9%	-14.0%
Placement with financial institutions	416.6	782.6	1,506.4	3.6%	87.9%	92.5%
<b>Total</b>	<b>819.2</b>	<b>896.0</b>	<b>1,599.8</b>	<b>71.0%</b>	<b>9.4%</b>	<b>78.6%</b>

Source: Audited consolidated financial statements of QFB

### 3.1.2. Investments Carried at Amortized Cost

Investments carried at amortized cost are comprised of investments in listed sukuk which are held-to-maturity. These investments increased from 8.9% of total assets in FY13 to 16.1% in FY15 due to the purchase of new sukuk investments driven mainly by deploying the cash generated from an increase in the deposit base. The carrying value of sukuk investment stood at QAR 943.4 million as of 31 December 2015, an increase of 26.1% compared to FY14. As of 31 December 2013, sukuk investments stood at QAR 272.4 million, an increase of 42.0% YOY.

The following table shows the value of sukuk investments and amortized amounts:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Investments in sukuk						
Investments in sukuk	271.5	734.3	932.3	42.4%	170.4%	27.0%
Unamortized premiums and discounts, net	0.8	13.9	11.1	-24.5%	1577.6%	-20.3%
<b>Total</b>	<b>272.4</b>	<b>748.2</b>	<b>943.4</b>	<b>42.0%</b>	<b>174.7%</b>	<b>26.1%</b>

Source: Audited consolidated financial statements of QFB

### 3.1.3. Financing Assets

Financing assets represent the Bank's financing to customers and comprise of murabaha, ijara and Qard financing contracts with murabaha financing accounting for over 90.0% of total financing assets in FY15. In line with the new business strategy, the Bank has actively pursued financing activities in recent years by targeting HNWI and corporates including small and medium-sized entities. The Bank also provides murabaha financing to selected Investee Companies as part of its Alternative Investments business.

The table below shows the breakdown of financing assets:

Financing assets	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Murabaha finances	385.3	837.2	1,183.8	84.0%	117.3%	41.4%
Ijara receivable	-	109.2	90.5	-	-	-17.1%
Others	-	21.1	17.1	-100.0%	-	-19.2%
<b>Total financing assets (gross)</b>	<b>385.3</b>	<b>967.5</b>	<b>1,291.3</b>	<b>78.0%</b>	<b>151.1%</b>	<b>33.5%</b>
Less: Deferred profits*	(83.2)	(134.0)	(178.6)	-	61.1%	33.2%
Allowance for impairment on financing assets - specific	-	-	(3.3)	-	-	-
<b>Total financing assets (net)</b>	<b>302.1</b>	<b>833.4</b>	<b>1,109.4</b>	<b>39.6%</b>	<b>175.8%</b>	<b>33.1%</b>

Source: Audited consolidated financial statements of QFB

\*deferred profit represents the portion of murabaha receivables not earned or due for payment

The Bank's financing portfolio (net) witnessed substantial growth (3Y CAGR 72.4%) from QAR 302.1 million in FY13 to QAR 1,109.4 million in FY15. As of 31 December 2015, net financing assets grew by 33.1% boosted by a 41.4% YOY growth in murabaha financing. A significant portion (37.1%) of financing was provided to HNWI. In terms of sector exposure, real estate and construction accounted for over 45% of the outstanding financing, while the consumer goods and services sector accounted for about 30% of the total financing assets. The increase in murabaha financing to clients in FY15 more than offset a slight decrease in murabaha financing to Investee Companies due to the sale of a convertible murabaha agreement.

Financing growth spiked in FY14 to reach QAR 833.4 million, representing a YOY increase of 175.8% as compared to QAR 302.1 million in FY13. The sharp increase in FY14 reflects the impact of the new strategy to increase commercial and private banking activities.

#### 3.1.4. Accounts Receivable and Inventories

These balance sheet items relate to one of the Subsidiaries and accounted for less than 2.0% of the total assets as of 2015. Accounts receivable are mainly comprised of trade debtors, while inventories are comprised of raw materials; semi-finished goods and finished goods in relation to the Subsidiary's operations.

#### 3.1.5. Equity Investments

Equity investments are carried at FVTIS and FVTE with a vast majority of investments carried at FVTIS as shown in the following table:

Equity investments	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Investment at FVTIS	969.6	1,349.5	1,283.5	39.7%	39.2%	-4.9%
Investment at FVTE	43.4	127.5	125.4	-45.5%	194.1%	-1.7%
<b>Total equity investments</b>	<b>1,013.0</b>	<b>1,477.0</b>	<b>1,408.9</b>	<b>30.9%</b>	<b>45.8%</b>	<b>-4.6%</b>

Source: Audited consolidated financial statements of QFB

### 3.1.5.1. Investments at FVTIS

Most of the investments carried at FVTIS comprise of venture capital investments in which the Bank has acquired a large or significant equity stake of 20%-50%. Companies in which the Bank has less than 20% investments are categorized as other investments at FVTIS. On average, equity investments carried at FVTIS accounted for 27.5% of total assets over the last three years.

The following table presents the breakdown of equity investments carried at FVTIS:

Investment carried at FVTIS	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Venture capital investments	516.1	961.9	1,013.2	16.1%	86.4%	5.3%
Other investments at FVTIS	453.5	387.6	270.4	81.8%	-14.5%	-30.2%
<b>Total investments at FVTIS</b>	<b>969.6</b>	<b>1,349.5</b>	<b>1,283.5</b>	<b>39.7%</b>	<b>39.2%</b>	<b>-4.9%</b>

Source: Audited consolidated financial statements of QFB

As of 31 December 2015, venture capital investments stood at QAR 1,013.2 million, an increase of 5.3% compared to FY14 mainly due to higher valuation. As of 31 December 2014, these investments were valued at QAR 961.9 million, an increase of 86.4% compared to 2013. The increase in value was due to new investments in Food Services Company, David Morris and fair value gains. As of 31 December 2013, venture capital investments amounted to QAR 516.1 million, an increase of 16.1% compared to FY12.

#### Investments at FVTIS: Venture Capital Investments

The following table shows the history of acquisitions and ownership stake in venture capital investments as of 31 December 2015:

Venture Capital Investments	Acquisition Date	Ownership*	Carrying Value *
Food Services Company	Dec-14	49.0%	72.9
David Morris	Jan-14	50.0%	226.9
English Home	Nov-12	40.0%	236.6
Leinster Square	Aug-12	40.5%	16.5
Lamu Oil & Gas	Jul-12	50.0%	31.1
Westbourne House	Jun-12	38.1%	15.3
Al Rifai International	Dec-11	35.3%	86.3
Memorial Healthcare	Aug-10	20.0%	327.6

Source: QFB Management Accounts

\*as of 31 December 2015

#### Investments at FVTIS: Other Investments

In addition to venture capital investments, the Bank has other investments in which it owns less than 20.0% stake. These investments are also carried at FVTIS and are listed in the table below:

Other investments at FVTIS	Acquisition Date	Ownership*	Carrying Value *
Cambridge Medical	Mar-15	15.6%	46.8
Avivo Group	Dec-13	10.5%	145.6
Kuwait Energy Company	Jun-11	2.2%	77.9

Source: QFB Management Accounts

\* as of 31 December 2015



As of 31 December 2015, other investments were valued at QAR 270.4 million and accounted for 4.6% of total assets. On a YOY basis, other investments declined by 30.2% in FY15 due to full disposal of an investment, Al Noor Hospital.

### 3.1.5.2. Investments at FVTE

As of 31 December 2015, the Bank had a total of QAR 125.4 million invested in regional and international unquoted and quoted equity securities, which were carried at FVTE. These include Amanat Holdings, a publicly listed entity in the UAE and Al Jazeera Finance, a private company as shown in the table below:

Investments at FVTE	Acquisition Date	Ownership*	Carrying Value*
Amanat Holdings	Sep-14	5.0%	99.1
Al Jazeera Finance	Aug-09	3.5%	26.3

Source: QFB Management Accounts

\* as of 31 December 2015

Investments carried at FVTE have fluctuated over the years in line with the acquisition and disposal of publicly listed assets. In FY15, total investments carried at FVTE stood at QAR 125.4 million and remained stable compared to FY14. In FY14, investments carried at FVTE increased by 194.1% YOY due to investment in Amanat Holdings, an education and healthcare company listed on Dubai Financial Market. In FY13, investments carried at FVTE comprised of only one investment, Watania Takaful, with a carrying value of QAR 43.4 million. The Bank exited this investment in FY14. The following table shows the breakdown of investments carried at FVTE:

Investments at FVTE	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Al Jazeera Finance (unquoted)	26.3	26.3	26.3	-	-	-
Watania Takaful (quoted)	17.1	-	-	-	-	-
Amanat Holdings (quoted)	-	101.2	99.1	-	-	-2.1%
<b>Total investments at FVTE</b>	<b>43.4</b>	<b>127.5</b>	<b>125.4</b>	<b>-45.5%</b>	<b>194.1%</b>	<b>-1.7%</b>

Source: Audited consolidated financial statements of QFB

### 3.1.6. Investments in Real Estate

These investments represent real estate assets of the Subsidiaries that fall under the Alternative Investments business segment as well as proprietary investments in real estate, mainly a plot of land in Dubai. As of 31 December 2015, real estate investments amounted to nil as compared to QAR 273.1 million in FY14 as shown in the table below:

Investments in real estate	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Investments in real estate held-for-use	224.0	206.2	-	13.7%	-8.0%	-100.0%
Investments in real estate held-for-sale	-	67.0	-	-	-	-100.0%
<b>Total investments in real estate</b>	<b>224.0</b>	<b>273.1</b>	<b>-</b>	<b>13.7%</b>	<b>21.9%</b>	<b>100.0%</b>

Source: Audited consolidated financial statements of QFB

As explained earlier, the Bank reclassified two of its Subsidiaries under Alternative Investments from FY14, resulting in the reclassification of QAR 206.2 million of investments in real estate held-for-use to assets held-for-sale. Further, the Bank had a proprietary investment in a plot of land

valued at QAR 67.0 million in FY14, which was sold in FY15 and resulted in a realized gain of 16.9 million. The Bank made no additional real estate investments in FY15.

### 3.1.7. Fixed Assets

Fixed assets mainly relate to property, plant and equipment related to one of the Subsidiaries, renovations regarding the Bank's building and private banking lounge as well as furniture and fixtures. Total fixed assets amounted to QAR 146.3 million as of 31 December 2015, representing a YOY increase of 6.8%. As of 31 December 2014, fixed assets stood at QAR 137.1 million, slightly higher (2.8% YOY) than QAR 133.4 million in FY13.

### 3.1.8. Intangible Assets

Intangible assets are comprised of the Bank's core banking system and brand and contractual relationships related to one of its Subsidiaries. Software investment increased in FY14 by 86.5% as the Bank invested in enhancing its technical capabilities through the purchase of additional modules related to its core banking system. Total intangible assets amounted to QAR 14.6 million as of 31 December 2015, comprised entirely of software and core banking system as the brand and contractual relationships related to one of the Subsidiaries was reclassified as part of assets held-for-sale.

The following table shows a breakdown of intangible assets:

Intangible assets	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Software and core banking system	8.6	15.02	14.61	15.5%	86.5%	-2.7%
Brand and contractual relationships	25.8	19.37	-	-20.0%	-25.0%	-100.0%
<b>Total intangible assets</b>	<b>33.9</b>	<b>34.39</b>	<b>14.61</b>	<b>-13.7%</b>	<b>1.5%</b>	<b>-57.5%</b>

Source: Audited consolidated financial statements of QFB

### 3.1.9. Assets of Disposal Group Classified as Held-for-sale

In FY15, the assets and liabilities of two of the Subsidiaries (Al Wasita and Isnad) were reclassified as held-for-sale as part of negotiations with new investor(s), which is expected to dilute the Bank's majority share ownership. The assets held-for-sale amounted to QAR 538.8 million (9.2% of total assets) and mainly comprised of investments in real estate and other assets including account receivables.

### 3.1.10. Other Assets

Other assets are mainly comprised of other prepayments and other receivables and accounted for less than 1.0% of total assets as of FY15. The total amount of other assets stood at QAR 29.9 million as of 31 December 2015.

## 3.2. Total Liabilities

Total liabilities are mainly comprised of deposits from customers classified as equity from unrestricted investment account holders which increased from QAR 248.5 million in FY13 to QAR 3,054.4 million in FY15.

<b>Liabilities</b>	<b>Amount (QAR million)</b>			<b>Growth YoY</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Financing liabilities	333.0	419.4	218.2	17.2%	26.0%	-48.0%
Customers' current accounts	57.6	26.4	23.4	-	-54.2%	-11.2%
Liabilities of disposal group classified as held-for-sale	-	-	357.7	-	-	-
Other liabilities	197.4	194.1	106.1	17.8%	-1.7%	-45.4%
Equity of unrestricted investment account holders	248.5	1,816.5	3,054.4	-	631.0%	68.1%
<b>Total liabilities</b>	<b>836.5</b>	<b>2,456.4</b>	<b>3,759.8</b>	<b>85.1%</b>	<b>193.7%</b>	<b>53.1%</b>

Source: Audited consolidated financial statements of QFB

The following table presents a common size analysis of total liabilities:

<b>Liabilities (% of total liabilities)</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Financing liabilities	39.8%	17.1%	5.8%
Customers' current accounts	6.9%	1.1%	0.6%
Liabilities of disposal group classified as held-for-sale	0.0%	0.0%	9.5%
Other liabilities	23.6%	7.9%	2.8%
Equity of unrestricted investment account holders	29.7%	73.9%	81.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Audited consolidated financial statements of QFB

### 3.2.1. Financing Liabilities

Financing liabilities are predominantly comprised of murabaha financing, which amounted to QAR 195.2 million and accounted for 89.5% of total financing liabilities, which stood at QAR 218.2 million as of 31 December 2015.

The following table presents a breakdown of financing liabilities:

<b>Financing liabilities</b>	<b>Amount (QAR million)</b>			<b>Growth YoY</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Murabaha financing	169.3	236.3	195.2	-18.7%	39.5%	-17.4%
Ijara financing	29.7	28.3	22.4	-	-4.7%	-21.1%
Other Islamic liabilities	3.6	4.2	0.7	-69.2%	15.8%	-84.2%
Islamic debt factoring	83.8	150.6	-	82.8%	79.6%	-100.0%
Accepted Wakala deposits	46.4	-	-	154.9%	-100.0%	-
<b>Total financing liabilities</b>	<b>333.0</b>	<b>419.4</b>	<b>218.2</b>	<b>17.2%</b>	<b>26.0%</b>	<b>-48.0%</b>

Source: Audited consolidated financial statements of QFB

A significant portion (QAR 189.9 million) of the total murabaha financing was related to debt funding of selected equity investments. The remaining portion combined with ijara financing and other liabilities was related to the Subsidiaries. Total financing liabilities of QAR 218.2 million decreased by 48.0% compared to FY14 due to a decline in murabaha and Ijara financing following the reclassification of two subsidiaries (Al Wasita and Isnad) as held-for-sale. As of 31 December 2014, financing liabilities amounted to QAR 419.4 million, an increase of 26.0% compared to FY13 led by a 39.5% increase in murabaha financing for debt funding of selected equity investment

which amounted to QAR 189.9 million. As of 31 December 2013, total financing liabilities amounted to QAR 333.0 million, representing a YOY increase of 17.2%.

### 3.2.2. Customers' Current Accounts

Current accounts represent non-profit bearing liabilities and amounted to QAR 23.4 million as of 31 December 2015, representing a YOY decrease of 11.2%. These liabilities accounted for less than 1% of total liabilities. As of 31 December 2014, current accounts stood at QAR 26.4 million, a decrease of 54.2% compared to QAR 57.6 million in FY13 due to customer's preference for higher yielding assets.

### 3.2.3. Liabilities of Disposal Group Classified as Held-for-sale

These liabilities are related to the two Subsidiaries (Al Wasita and Isnad) under Alternative Investments that were reclassified as held-for-sale. As of 31 December 2015, these liabilities amounted to QAR 357.7 million accounting for 9.5% of the Group's total liabilities including equity of URIA. Prior to FY15, liabilities related to these two reclassified Subsidiaries were reported under financing liabilities and other liabilities.

### 3.2.4. Other Liabilities

Other liabilities mainly comprise of accounts payable representing amounts due to suppliers in relation to one of the Subsidiaries under the Alternative Investments business segment and staff related payables. Together these two accounts represented over 60% of total other liabilities of QAR 106.1 million and 2.8% of the Bank's total liabilities including equity of URIA as of 31 December 2015. The YOY decrease in total liabilities in FY15 of 45.4% was driven by a reduction in accounts payable due to the reclassification of two Subsidiaries (Al Wasita and Isnad) as well a decrease in staff related payables.

The following table shows a breakdown of other liabilities:

Other liabilities	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Accounts payable	69.3	96.3	36.2	21.2%	39.1%	-62.4%
Staff-related payables	54.0	55.5	28.6	50.4%	2.8%	-48.5%
Other payables	37.4	6.1	5.6	165.8%	-83.8%	-6.8%
Accrued expenses	21.9	16.1	9.1	-55.9%	-26.6%	-43.5%
Due to related parties	1.2	1.2	-	-67.2%	-0.6%	-100.0%
Unearned income	0.3	0.3	0.4	-65.6%	4.0%	37.7%
Dividends payable	13.4	18.7	26.2	113.3%	39.4%	40.2%
<b>Total other liabilities</b>	<b>197.4</b>	<b>194.1</b>	<b>106.1</b>	<b>17.8%</b>	<b>-1.7%</b>	<b>-45.4%</b>

Source: Audited consolidated financial statements of QFB

### 3.2.5. Equity of Unrestricted Investment Account Holders

This represents mudaraba deposits from customers that the Bank invests at its sole discretion in its capacity as a mudarib without laying down any restriction as to where, how and for what purpose the fund should be invested. The deposits are classified in the statement of financial position as equity of unrestricted investment account holders.

As of 31 December 2015, customer deposits amounted to QAR 3,054.4 million, an increase of 68.1% compared to FY14 as the Bank actively pursued its strategy of growing its private and corporate banking businesses. Similar to FY14, corporate clients contributed a vast majority of deposits, accounting for 88.0% of the total deposits in FY15 led by 54.4% YOY growth. The Bank also grew its deposit base from individuals and government entities as part of its strategy.

The following table shows the breakdown of the deposits by customer type:

<b>Breakdown of Deposits by Client Type</b> (Amounts in QAR million)	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Individual	-	55.6	204.6
Government	-	20.3	162.1
Corporate	248.5	1,740.6	2,687.6
<b>Total deposits</b>	<b>248.5</b>	<b>1,816.5</b>	<b>3,054.4</b>

Source: Audited consolidated financial statements of QFB

### 3.2.6. Contingent Liabilities

As of 31 December 2015, the Bank reported contingent liabilities of QAR 204.9 million, mainly comprising unutilized or unfunded credit facilities and letters of guarantee.

<b>Contingent liabilities</b>	<b>Amount (QAR million)</b>			<b>Growth YoY</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Letters of credit	-	6.2	6.5	-100.0%	-	4.6%
Letters of guarantee	30.0	62.0	73.9	151.2%	106.3%	19.3%
Unutilized credit facilities	-	123.7	124.5	-	-	0.7%
<b>Total contingent liabilities</b>	<b>30.0</b>	<b>191.8</b>	<b>204.9</b>	<b>123.3%</b>	<b>538.6%</b>	<b>6.8%</b>

Source: Audited consolidated financial statements of QFB

### 3.3. Total Equity

Total equity is comprised of paid up capital, fair value reserves and retained earnings and is reported net of non-controlling interest. As of 31 December 2015, total equity attributable to equity holders of the Bank amounted to QAR 2,046.1 million, a YOY decrease of 5.2% due to lower retained earnings, which were impacted by the decrease in net profit and a higher dividend for FY14. Further, the Bank opted not to allocate any legal reserves since inception as there was no regulatory requirement to do so.

<b>Equity</b>	<b>Amount (QAR million)</b>			<b>Growth YoY</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Share capital	2,000.0	2,000.0	2,000.0	27.3%	0.0%	0.0%
Fair value reserves	16.9	(3.2)	(22.2)	116.2%	-118.7%	605.7%
Retained earnings	145.6	162.3	68.3	26.8%	11.5%	-57.9%
<b>Total equity attributable to the equity holders of the Bank</b>	<b>2,162.4</b>	<b>2,159.2</b>	<b>2,046.1</b>	<b>27.7%</b>	<b>-0.2%</b>	<b>-5.2%</b>
Non-controlling interest	50.6	51.9	54.0	3.2%	2.6%	3.9%
<b>Total equity</b>	<b>2,213.0</b>	<b>2,211.1</b>	<b>2,100.0</b>	<b>27.0%</b>	<b>-0.1%</b>	<b>-5.0%</b>

Source: Audited consolidated financial statements of QFB

### **3.3.1. Share Capital**

The Bank's issued and paid up share capital was QAR 2,000.0 million as of FY15 with a nominal value of QAR 10.0 and total shares of 200.0 million. During FY13, the Bank increased its share capital from QAR 1,570.6 million (USD 431.5 million) to QAR 2,000 million (USD 549.5 million) by issuing 42.9 million shares. The Bank received a total amount of QAR 472.3 million in relation to the issuance of these shares at par value with a premium of QAR 42.9 million. The Bank also incurred share issuance expenses of QAR 42.9 million which were fully offset against the share premium amount.

### **3.3.2. Fair Value Reserves**

Fair value reserves represent the movement in fair valuation of equity investments of QFB and real estate properties owned by the Subsidiaries. The decline in FY15 mainly reflects a drop in the share price of Amanat Holdings.

### **3.3.3. Retained Earnings**

Retained earnings are comprised of net profit net of any dividends. As of 31 December 2015, total retained earnings stood at QAR 68.3 million, a decrease of 57.9% compared to FY14. The decrease was attributable to lower income realized in FY15 and a high dividend payout ratio as the Board approved a cash dividend of QAR 160.0 million for the year ended 31 December 2014 representing 101% dividend payout from net profit and 8.0% of the paid up capital of QAR 2,000.0 million. In FY14, QFB approved total dividend distribution in the amount of QAR 142.0 million for the year ended 31 December 2013.

### **3.3.4. Non-controlling Interest**

This represents non-controlling interest related to the Subsidiaries.

## **3.4. Capital Adequacy**

The Group's capital resources are divided into two tiers; Tier 1 capital and Tier 2 capital. Tier 1 capital includes ordinary share capital, share premium, retained earnings, fair value reserves 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 includes general provisions for unidentified losses and other instruments classified as Tier 2 capital as per the QFCRA. The following table shows the total capital calculated by the Bank in accordance with the capital adequacy guidelines issued by the QFCRA:

	Amount (QAR million)			Growth YoY		
	FY13	FY14	FY15	FY13	FY14	FY15
Share capital	2,000.0	2,000.0	2,000.0	27.3%	0.0%	0.0%
Retained earnings	145.6	162.3	68.3	26.8%	11.5%	-57.9%
Reserves	16.9	(3.2)	(22.2)	116.2%	-118.7%	605.7%
Non-controlling interest	50.6	51.9	54.0	3.2%	2.6%	3.9%
Intangible assets	(33.9)	(34.4)	(14.6)	-13.7%	1.5%	-57.5%
<b>Total qualifying capital and reserves funds</b>	<b>2,179.2</b>	<b>2,176.7</b>	<b>2,085.4</b>	<b>28.0%</b>	<b>-0.1%</b>	<b>-4.2%</b>
Total risk weighted assets (RWA)	5,901.2	9,067.6	9,670.5	397.1 %	53.7%	6.6%
<b>Capital Adequacy Ratio (CAR)</b>	<b>36.9%</b>	<b>24.0%</b>	<b>21.6%</b>			
Minimum regulatory requirements	10.5%	10.5%	10.5%			

Source: Audited consolidated financial statements of QFB

As of 31 December 2015, the Bank reported total regulatory capital of QAR 2,085.4 million and a CAR of 21.6%, well above the minimum regulatory threshold of 10.5% as prescribed by the IBANK.

#### 4. CASH FLOW STATEMENT

Net cash flow increased from QAR 819.2 million in FY13 to QAR 1,599.8 million in FY15 led by the increase in cash flow from financing activities, driven by an increase in deposits, as shown in the table below:

Cash flows	Amount (QAR million)		
	FY13	FY14	FY15
Net cash used in operating activities	(269.3)	(1,412.0)	(370.4)
Net cash used in investing activities	(21.5)	(29.3)	(55.4)
Net cash from financing activities	630.9	1,518.1	1,129.6
<b>Cash and cash equivalents at the end of the year</b>	<b>819.2</b>	<b>896.0</b>	<b>1,599.8</b>

Source: Audited consolidated financial statements of QFB

##### 4.1. Cash Flow from Operating Activities

Cash flow from operating activities represents cash inflows and outflows stemming from the Bank's investments in private equity, sukuk, real estate and financing assets. Net cash outflow for operating activities fluctuated during the last three years driven by the acquisition of equity stakes in different companies, investment in real estate and sukuk and originating financing assets.

The following table presents the Bank's cash flow used in operating activities:

	Amount (QAR million)		
Cash flow from operating activities	FY13	FY14	FY15
Net income for the year	142.2	159.2	68.1
<i>Adjustments for non-cash items in net income</i>			
Depreciation and amortizations	23.4	25.1	27.3
Unrealized gains on equity investments	(242.3)	(239.7)	(138.1)
Other*	(0.9)	0.5	3.0
	<b>(77.6)</b>	<b>(54.9)</b>	<b>(39.7)</b>
Investments carried at amortized cost	(80.5)	(475.8)	(195.2)
Financing assets	(85.7)	(531.3)	(279.3)
Accounts receivable	(48.1)	(12.6)	(171.8)
Inventories	2.3	(8.4)	(4.7)
Equity investments	3.3	(250.1)	204.0
Investments in real estate	(18.0)	(42.8)	47.5
Other assets	(38.2)	3.8	59.2
Customers' current account	57.6	(31.2)	(2.9)
Other liabilities	15.7	(8.6)	12.5
<b>Net cash used in operating activities</b>	<b>(269.3)</b>	<b>(1,412.0)</b>	<b>(370.4)</b>

Source: Audited consolidated financial statements of QFB

\*includes allowance for impairment on financing assets, provisions, recovery of provisions, etc.

In FY15, the Bank recorded a net cash outflow from operating activities of QAR 370.4 million lower than the outflow of QAR 1,412.0 million witnessed in FY14. Lower investments in sukuk and lower growth in the financing portfolio limited the cash outflow. The Bank also generated cash proceeds of QAR 485.6 million from exiting investments in Al Noor Hospital, Nobles Consortium and a convertible murabaha in FY15 which were offset against the acquisition of a 15.6% stake in Cambridge Medical resulting in net cash inflow of QAR 204.0 million from equity investments.

#### 4.2. Cash Flow from Investing Activities

Cash flow from investing activities mainly represents the investment in building renovation and furniture and fixtures for the Bank as well as any cash flow related to the Subsidiaries. These expenses were related to the Bank's efforts for re-branding and enhancing its corporate image which the Bank actively pursued in FY14 and FY15. During these two years, the Bank also invested in software by purchasing additional software for its core banking system to enhance its technical capabilities. Total cash outflow from investing activities amounted to QAR 55.4 million in FY15 compared to QAR 29.3 million in FY14 and QAR 21.5 million in FY13.

#### 4.3. Cash Flow from Financing Activities

Cash flow from financing activities predominantly reflects the inflow of deposits which increased significantly in FY14 and FY15 net of any cash dividends. The Board approved cash dividends of QAR 109.9 million, QAR 142.0 million and QAR 160.0 million for FY12, FY13 and FY14 respectively. The amount of dividends paid in cash as shown in the cash flow from financing activities was lower than the approved dividend amount due to the timing of dividend collection by the Shareholders. Financing liabilities are limited and the Bank does not rely on interbank financing as a source of



funding for its financing portfolio. In FY13, the Bank increased its share capital, however any share premium was offset against the share issuance expenses.

The following table presents the Bank's cash flow from financing activities:

<b>Cash flow from financing activities</b>	<b>Amount (QAR million)</b>		
	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Net increase in unrestricted investment accounts	248.5	1,568.0	1,237.9
Proceeds from issuance of share capital	472.4	-	-
Share issuing expenses	(35.9)	-	-
Net change in financing liabilities	48.8	86.5	44.3
Dividends paid to shareholders	(102.8)	(136.4)	(152.5)
<b>Net cash from financing activities</b>	<b>630.9</b>	<b>1,518.1</b>	<b>1,129.6</b>

Source: Audited consolidated financial statements of QFB

## **MANAGEMENT & CORPORATE GOVERNANCE**

### **1. OVERVIEW**

QFB's principal decision making forum is the Board, which has overall responsibility for the management and strategy of QFB. The Board is empowered by the Articles of Association to have unrestricted management powers of QFB on behalf of Shareholders, save as restricted by the Articles of Association themselves, by operation of law or by a Shareholders' resolution. The Board has delegated the day-to-day management of QFB to the Chief Executive Officer and the Senior Executive Management.

QFB is committed to implementing and maintaining the highest standards of corporate governance in order to enhance transparency and Investor confidence in QFB and its practices. In this regard, QFB amended its Articles of Association to conform, to the extent practicable, to the requirements of the QFMA's Corporate Governance Code.

### **2. GENERAL ASSEMBLY**

The General Assembly represents all of the Shareholders. Every Shareholder has the right to attend the General Assembly, either in person or by way of proxy, and has a number of votes equivalent to the number of Shares held. A meeting of the General Assembly is not valid unless 21 days' notice is given to all Shareholders who are entitled to attend, through an announcement in at least one Arabic language newspaper and one English language newspaper in general circulation in Qatar.

A meeting of the General Assembly is not valid unless it is attended by at least two Shareholders representing a majority of QFB's nominal share capital. If a quorum is not achieved, the meeting may be adjourned to a place and time as determined by the Board and is valid, irrespective of whether a majority of QFB's nominal share capital is represented so long as at least two Shareholders are in attendance. Resolutions of the Ordinary General Assembly are passed by a majority of votes on the show of hands unless a poll is demanded.

An Ordinary General Assembly must be convened at least once a year. An Extraordinary General Assembly may be called by the Board or by a requisition of a Shareholder in accordance with the Articles of Association and the QFC Regulations.

### **3. BOARD**

The Board is responsible for the overall strategic direction, supervision and control of QFB, through the review and approval of strategic policies and objectives. More particularly, the Board reviews and approves the annual budget, the business plan and all capital expenditures. It is also the Board's responsibility to ensure the implementation of a framework of control covering internal audit, compliance, risk management (credit risk, liquidity risk, market risk and operational risk) and financial control.

The Board meets regularly at least six times a year as an entire Board in addition to its Committees.

The Board is also assisted by the Shari'ah Supervisory Board, which advises the Board and its Committees on all aspects of compliance with Shari'ah law and principles.

The Board has delegated responsibility for overall executive management to QFB's experienced Senior Executive Management team under the leadership of the Chief Executive Officer.

### 3.1. Composition of the Board

The Board is currently made-up of 11 members and consists of representatives of Shareholders as well as experienced and prominent independent businessmen in the GCC.

Directors are appointed or elected for a period of three years and any appointee is subject to the stringent approved individuals' qualification requirements of the QFCRA Regulations. The majority of the Directors are required to attend each Board meeting in order for it to be a quorate Board meeting. A Director may appoint another Director to represent and vote for him in his absence. Decisions of the Board are made by majority votes of those present (in person or by proxy) at the meeting. In the event of a split decision, the Chairman holds the casting vote. See "Description of Shares".

As at the date of this Prospectus, the Board is comprised of the below 11 Directors listed below, all re-appointed or appointed for a three-year period starting on 28 March 2016:

Name	Nationality	Position(s)	Date of re-appointment
Mr. Abdullah bin Fahad bin Ghorab Al Marri	Qatar	Chairman and Director	28 March 2016
Mr. Ibrahim Al Jomaih	Saudi Arabia	Vice Chairman and Director	28 March 2016
Mr. Ibrahim Mohamed Ibrahim Al Jaidah	Qatar	Director	28 March 2016
Mr. Ahmed bin Abdullah Al Marri	Qatar	Director	28 March 2016
Mr. Anwar Bukhamseen	Kuwait	Director	28 March 2016
Sheikh Hamad bin Nasser bin Jassim Al Thani	Qatar	Director	28 March 2016
Mr. Ali bin Mohamed Al Obaidli	Qatar	Director	28 March 2016
Mr. Khaled Abdulla Khouri	UAE	Director	28 March 2016
Mr. Mohammed Al Hajri	Qatar	Director	28 March 2016
Mr. Mosabah Al-Mutairy	Oman	Director	28 March 2016
Mr. Jassim Mohammad Al-Kaabi	Qatar	Director	28 March 2016

The address for members of the Board is the address of the Head Office. None of the Directors are under a service contract with QFB with respect to their role as a Director, and QFB does not have contractual obligations to provide benefits or end of service gratuity to the Directors upon termination of their directorships.

### **3.2. Biographies**

#### **Mr. Abdullah bin Fahad Ghorab Al Marri, Chairman**

Mr. Abdullah bin Fahad Ghorab Al Marri is the founder of QFB and the Chairman. He has been appointed Chairman since the incorporation of the Bank.

Mr. Al Marri is also a member of the board of INJAZ Qatar. It is important to note that Mr. Al Marri is a shareholder and manager of Global Consultants.<sup>28</sup>

Mr. Al Marri is an Advisor at the office of the chief of the Amiri Diwan of Qatar.

Previously, Mr. Al Marri held senior positions at a number of international companies in Qatar, including serving as chairman of International Projects Company and chairman of Ajyad International. He also served as vice-chairman and was a member of the executive committee of Qatar Islamic Bank from 1993 to 2002.

Mr. Al Marri has a Bachelor Degree in International Relations from George Washington University in the USA.

#### **Mr. Ibrahim Mohamed Al Jomaih, Vice Chairman**

Mr. Ibrahim Mohamed Al Jomaih is the Vice-Chairman.

Mr. Al Jomaih is also a member of the board of Al Jomaih Automotive Company, Al Jomaih Water and Energy Company, Al Jomaih and Shell Co., Pendekar Energy Limited, Darmaa Electricity and Al Tayseer Arabian Company.

Mr. Al Jomaih is the vice-chairman and chief executive officer of Al Jomaih Automotive Company. He serves as chief executive officer of Al Jomaih Water and Energy Company, Al Jomaih Bottling Plants (Pepsi Cola) and Aljomaih Can Manufacturing Plants. In addition, he is the general manager of Aljomaih Holding Co. for the Eastern Province.

Mr. Al Jomaih holds an MBA from University of Santa Clara, and a Bachelor of Science in Business Administration from Portland State University in the USA.

#### **Mr. Ibrahim Mohamed Ibrahim Al Jaidah, Director**

Mr. Ibrahim Mohamed Ibrahim Al Jaidah is a member of the Board.

Mr. Al Jaidah is also a member of the board of the Qatari Businessmen Association (QBA) and a member of the board of trustees of Qatar Green Building Council.

Mr. Al Jaidah is the chief architect and group chief executive officer of the Arab Engineering Bureau.

Mr. Al Jaidah holds a Bachelor of Arts in architecture studies from the University of Oklahoma in the USA.

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<sup>28</sup> The shareholding and management roles of Mr. Al Marri and the other Board members in other companies, if present, are not stated in this section. The reference to Global Consultants is only because the latter company is a shareholder of the Bank.

**Mr. Mohammed Al Hajri, Director**

Mr. Mohammad Al Hajri is a member of the Board.

Mr. Al Hajri started his career at the Amiri Diwan of Qatar in 1994 and is currently the head of Studies and Research at the Amiri Diwan in Qatar.

Mr. Al Hajri holds a Bachelor of Arts in Management & Economics from Qatar University. He has also attended several post graduate programs on leadership and economics in London School of Economics in the UK and John Kennedy College – Harvard in the USA.

**Mr. Mosabah Al-Mutairy, Director**

Mr. Mosabah Al Mutairy is a member of the Board.

Mr. Al Mutairy is also a member of the board of Khaleeji Commercial Bank – Bahrain, Nizwa Bank, Gulf Finance House – Bahrain, Omani Company for the Development of National Investments and Oman Munition Production Company.

Mr. Al Mutairy is the accounts manager at the Royal Guard of Oman and in 2003 he was appointed as the acting manager of the Royal Guard of Oman Pension Fund.

Mr. Al Mutairy holds an MBA in Finance from the University of Lincolnshire & Humberside, and a Bachelor of Arts in Accounting from South West London College in the UK.

**H.E. Ahmed bin Abdullah Al Marri, Director**

H.E. Ahmed bin Abdullah Al Marri is a member of the Board.

H.E. Mr. Al Marri held a number of state position in Qatar including Minister of Endowment and Islamic Affairs.

H.E. Mr. Al Marri has a Master Degree in military science.

**Mr. Anwar Bukhamseen, Director**

Mr. Anwar Bukhamseen is a member of the Board.

Mr. Bukhamseen is also a member of the board of Warba Insurance Company, Kuwait International Bank, Kuwait Insulating Material Manufacturing Company.

Mr. Bukhamseen is also a member of the board of the Kuwaiti Industries Union and the Kuwaiti Economic Society.

Mr. Bukhamseen is the managing director of Bukhamseen Holding, a company with interests in travel, real estate, retail, banking and insurance, amongst many other activities.

Mr. Bukhamseen is a holder of a Bachelor of Arts in Commerce, Economics and Political Science from Kuwait University.

**H.E. Sheikh Hamad bin Nasser bin Jassim Al Thani, Director**

H.E. Sheikh Hamad bin Nasser bin Jassem Al Thani is a member of the Board.

H.E. Sheikh Hamad is a Minister of State of Qatar.

H.E. Sheikh Hamad was previously Minister of State and Council of the Ruling Family Affairs of Qatar. He also served as the Minister of Interior Affairs and Under Secretary of Protocol at the Emiri Diwan of Qatar.

H.E. Sheikh Hamad holds a Bachelor of Law.

**Mr. Ali Mohamed Al-Obaidli, Director**

Mr. Ali Mohamed Al-Obaidli is a member of the Board.

Mr. Al-Obaidli is also a member of the board of Qatar International Islamic Bank, Islamic Insurance Company and Medicare Group.

Mr. Al-Obaidli has a well-rounded and extensive experience that was acquired over the last 24 years. Along these years, he mastered the skills of professional management and strategic planning which culminated in the strong performance that he achieved working in different institutions and navigating the ups and downs of the local economy. He dealt with different asset classes which comprised banking and investment banking in addition to real estate development, management, acquisition and disposition.

His professional career started as an assistant professor of finance at Qatar University, followed by holding several positions, the last of which is the position of group chief executive officer for Ezdan Holding Group.

Mr. Al-Obaidli holds an MBA in Finance from the University of Oklahoma in the USA and a Bachelor of Management & Economics from Qatar University.

**Mr. Khaled Abdulla Khouri, Director**

Mr. Khaled Abdulla Khouri is a member of the Board.

Mr. Khouri is also a member of the board of Watania Takaful.

Mr. Khouri is the group chief executive officer of Al Hilal Bank, which is an Islamic bank owned by Abu Dhabi government.

Previously, he was with Abu Dhabi Investment Authority (ADIA) as director, Real Estate and Infrastructure department. Mr. Khouri was director of the private equity department at ADIA. He was appointed vice-chairman of Abu Dhabi Islamic Bank in 2007.

Mr. Khouri holds a Bachelor of Arts in Business Administration from Boston University. He is a member of the CFA Institute. In addition, Mr. Khouri completed the general manager program “TGNMP” by Harvard Business School.

**Mr. Jassim Mohammad Al-Kaabi, Director**

Mr. Jassim Mohammad Al-Kaabi is a member of the Board.

Mr. Al-Kaabi works at Borooq Trading Company in Qatar.

Mr. Al-Kaabi serves at the Amiri Diwan of Qatar.

Mr. Al-Kaabi holds a Bachelor of Arts in Business Administration from Norwich University in the UK.

### **3.3. Board Committees**

In line with the Articles of Association and in line with QFMA Corporate Governance Code for public listed companies, the Board has set up five Committees to support in the discharge of its legal and operational functions to manager the Bank.

Below are the Committees and the description of their functions.

#### **3.3.1. EXCOM**

The EXCOM is composed of six Board members.

The purpose of the EXCOM is to provide management with Board guidance and advice as a sounding board for management on emerging issues, problems and initiatives. EXCOM acts as an advisor to the Board and reviews, assesses and makes recommendations to the Board on various matters as requested. The EXCOM is empowered to take both financial and non-financial decisions as per the Bank-approved delegation of authority and transaction limit authority, credit risk policy and market risk policy.

#### **3.3.2. ARCC**

The ARCC is composed of three Board members.

The purpose of the ARCC is to assist the Board in fulfilling its oversight responsibilities for the internal and external audit functions, risk management functions, compliance functions, financial reporting process, the system of internal control and the Bank's process for monitoring compliance with laws and regulations and the code of conduct.

#### **3.3.3. Credit Committee**

The Credit Committee is composed of four Board members.

The purpose of the Credit Committee is to assist the Board in fulfilling its responsibilities by developing and approving business initiatives for the Bank, especially reviewing and approving financing facilities to the Bank's customers.

#### **3.3.4. Nomination Committee**

The Nomination Committee is composed of five Board members.

As part of good corporate governance, the Nomination Committee recommends Board member appointments and nominations for re-elections in order to comply with the QFMA's Corporate Governance Code and to separate the nomination process to promote transparency.

#### **3.3.5. Remuneration Committee**

The Remuneration Committee currently comprises six Board members.

The Remuneration Committee's primary role is to consider and make recommendations on the remuneration policy relating to the Chairman, members of the Board and members of Senior Executive Management. The policy set by the Remuneration Committee shall then be approved by the Shareholders at the Ordinary General Assembly which shall also determine the precise remuneration and incentive payments (including bonuses) of the Chairman, members of the Board and members of Senior Executive Management.

### 3.4. Directors' Interests

The following Directors are also directly and/or indirectly shareholders in QFB as at 14 April 2016:

Name	Shareholding Ownership Percentage (%)
Mr. Abdullah bin Fahad bin Ghorab Al Marri personally and through Global Consultants*	5.78*
Mr. Ibrahim Al Jomaih, personally and through Al Jomaih Automotive Co.	1.36
Mr. Ibrahim Mohamed Ibrahim Al Jaidah	0.23
Mr. Ahmed bin Abdullah Al Marri	0.00
Mr. Anwar Bukhamseen through Arab Investment Company and Kuwait International Bank	4.55
Sheikh Hamad bin Nasser bin Jassim Al Thani	0.75
Mr. Ali bin Mohamed Al Obaidli	0.00
Mr. Khaled Abdulla Khouri	0.00
Mr. Mohammed Al Hajri	0.01
Mr. Mosabah Al-Mutairy through The Royal Guard of Oman Pension Fund	3.67
Mr. Jassim Mohammad Al-Kaabi through Boroq Trading Company and Al Zubara for Real Estate Investment Company	21.47

\* Early April 2016, Global Consultants transferred part of the Shares it owns in the Bank to some of Mr. Al Marri's other family members.

### 3.5. Relationship between Board members

Two members of the Board, Mr. Abdullah bin Fahad Ghorab Al Marri, the Chairman of QFB, and H.E. Ahmed bin Abdullah Al Marri, are related. Mr. Abdullah bin Fahad Ghorab Al Marri is the nephew of H.E. Ahmed bin Abdullah Al Marri.

## 4. SHARI'AH SUPERVISORY BOARD

The *Shari'ah* Supervisory Board is currently chaired by Dr. Ali Al Quradaghi as well as composed of Sheikh Dr. Sultan Al Hashemi and Sheikh Dr. Yahia Al-Nuaimi.

The *Shari'ah* Supervisory Board is an independent body consisting of Shari'ah scholars known for their knowledge and experience in Fiqh Al Mu'amalat and Islamic commercial Fiqh. The *Shari'ah* Supervisory Board is entrusted with the task of providing binding opinions and reviewing all of the Bank's activities to ensure compliance with the principles of *Shari'ah* law. The *Shari'ah* Supervisory Board is also responsible for Shari'ah matters in relation to the approval of standard and non-standard agreements relating to financial transactions conducted by the Bank, providing



*Shari'ah* opinion on the products that the Bank intends to offer, issuing fatwas on *Shari'ah* matters and issuing its annual report.

## 5. SENIOR EXECUTIVE MANAGEMENT

The day-to-day management of QFB's business is conducted by the Senior Executive Managers who are considered relevant to ensuring that QFB has the appropriate expertise and experience for the management of its business.

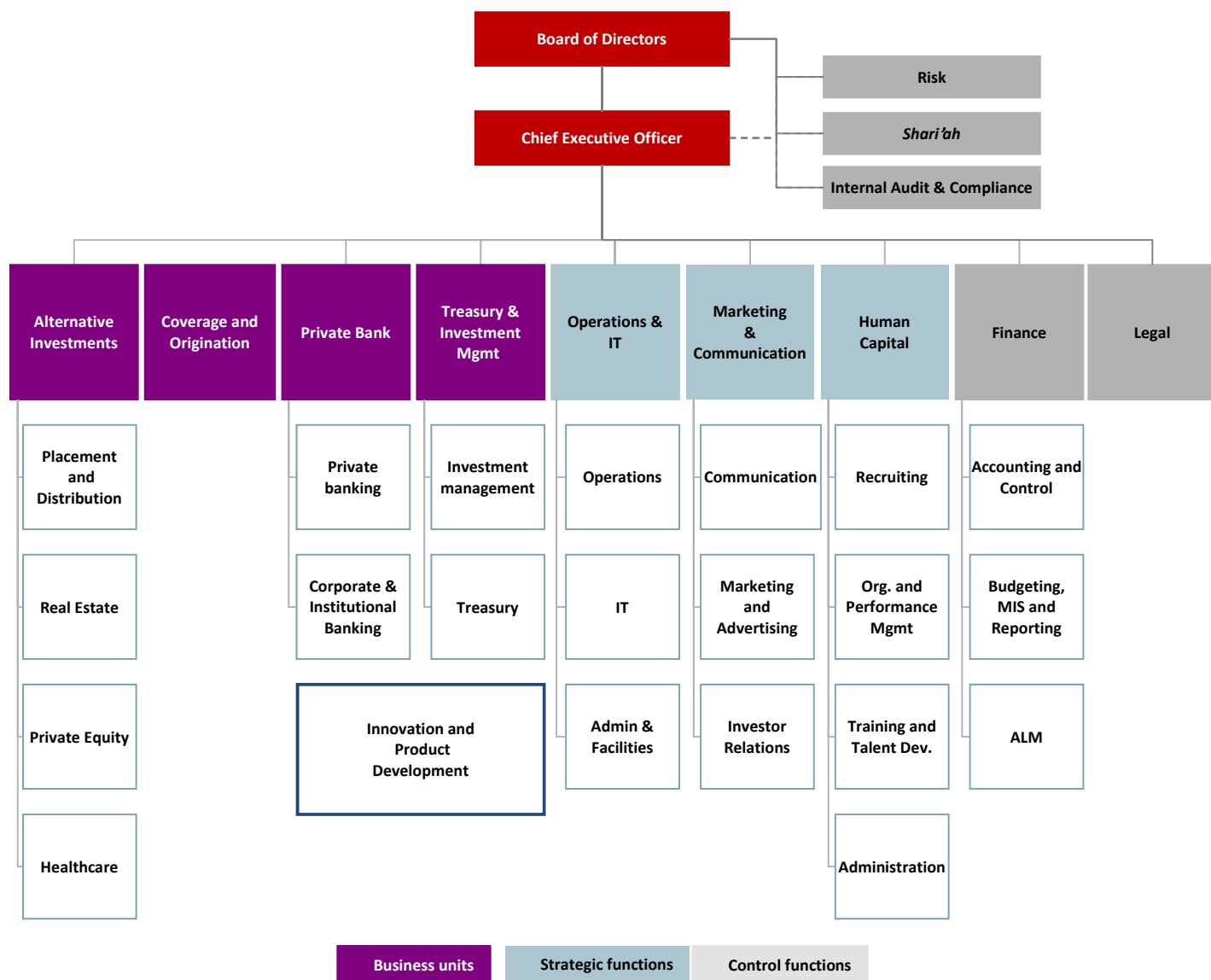
Mr. Ziad Khalil Makkawi Chief Executive Officer	
Mr. Sulaiman Al Salhi Chief Business Officer	Mr. Hani Katra Chief Financial Officer
Mr. Ihab Asali Managing Partner – Alternative Investments	Mr. Nayeem Khan Chief Operating Officer
Mr. Samir Assaad Managing Partner – Alternative Investments	Mr. Yaser Al Maghribi Chief Risk Officer
Mr. Ayman Zaidan Head of Treasury and Investment Management	Mr. Andrew Williams Head of Human Resources
Mr. Nizar Ahmadi Head of Private Banking & Wealth Management	Mr. Mohammed Al Sahli Head of Investor Relations
	Mr. Moath Abdalla Head of Compliance & MLRO
	Sheikh Ismail Al Awadhi Head of <i>Shari'ah</i> Compliance

There are no potential conflicts of interest between the private interests or other duties of the Senior Executive Managers listed above and their duties to QFB.

The address for the Senior Executive Management is the Head Office.

### 5.1. Governance Chart

The table below sets out the organization chart with the reporting lines within the Senior Executive Managers.



## 5.2. Biographies

Mr. Ziad Makkawi, Chief Executive Officer

Ziad Makkawi was appointed Chief Executive Officer of QFB in June 2015.

Ziad is a veteran financial services professional, having served on the boards of numerous leading financial institutions, companies and funds around the globe.

Ziad spent his early days with JP Morgan on Wall Street. He later joined Elf Aquitaine in Geneva before moving to the Middle East to co-found Lebanon Invest, and then Middle East Capital Group as managing director. After moving to Dubai in 2000, Ziad built and ran SHUAA Capital's financial services business including asset management, proprietary trading, capital markets,

research and brokerage. In 2004 Ziad was appointed chief executive officer of Dubai Bank, and in 2006 founded and ran as chairman and chief executive officer Algebra Capital, a MENA focused asset management firm he later sold in 2010 to Global Asset Manager Franklin Templeton.

In 2013, Ziad was appointed as the chief executive officer of Istithmar World, the private equity investment arm of Dubai World, where he ran a multi-billion USD global private equity portfolio. Ziad served as chairman of the Young President Organization's Emirates Chapter.

Ziad holds a Masters in International Affairs from Columbia University in New York and an MBA in Finance from New York University's Stern School, together with a Bachelor of Arts in Economics from Rice University in Houston.

#### **Mr. Sulaiman Al Salhi, Chief Business Officer**

Sulaiman joined QFB in September 2013 as Chief Business Officer and oversees the development of Corporate & Institutional Banking services at the Bank.

Sulaiman has 24 years of global financial services experience in both the conventional and Islamic banking sectors. Over the years, he has acquired considerable expertise in private banking, investment banking, corporate lending and Islamic finance.

Prior to joining QFB, Sulaiman was managing director and senior executive officer at Bank Sarasin-Alpen (Qatar) LLC. In this role, he headed the private banking team and successfully led the organization through its challenging start-up phase in Qatar. Within three years, the bank established a strong foothold in the country's private banking sector.

Sulaiman's success builds upon two decades of experience at HSBC Middle East during which he progressed from branch manager to head of HSBC-Amanah Islamic finance in Qatar. During his time with HSBC, Sulaiman was credited with instituting the Amanah Personal Banking and Corporate and Investment Banking arms of the business, securing substantial amounts in AUMs and revenue.

Sulaiman received his education at Hillsborough Community College, Florida, USA.

#### **Mr. Ihab Asali, Managing Partner – Alternative Investments**

Ihab Asali joined QFB in February 2009 and is Managing Partner and Co-Head of the Alternative Investments function at QFB. Ihab also serves on the boards of a number of QFB portfolio companies mainly in Qatar, the UAE and Turkey.

Ihab has over 20 years of experience in investment banking and private equity. Prior to joining QFB, Ihab worked at Samba Financial Group in Riyadh as assistant general manager, Equity Capital Markets, leading and advising on transactions totaling more than USD 8 billion, including the largest initial public offerings and private placements in the history of Saudi Arabia at that time.

Before joining Samba, Ihab spent 8 years in senior positions at the Arab Bank Group's investment banking subsidiary, leading and advising on various projects including equity and debt capital markets transactions, mergers and acquisitions, privatizations, private placements, project finance, corporate restructuring and strategic investor sales.

Ihab holds a Bachelors in Chemical Engineering from the University of Jordan and an MBA from the University of Wales Cardiff. He is a holder of the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.

**Mr. Samir Assaad, Managing Partner – Alternative Investments**

Samir Assaad joined QFB in October 2015 and is Managing Partner and Co-Head of the Alternative Investments function.

Samir has over 21 years of experience in deal making spanning the Middle East, U.S. and Europe. Before joining QFB, Samir held the position of executive director – Private Equity at Abu Dhabi Investment Company (InvestAD). Prior to InvestAD, he was the managing director of private equity at NBK Capital, where he established and managed the private equity practice. Samir also worked at Nova Capital in London as an investment director where he focused on acquisitions of portfolios of direct investments in the U.S. and Europe.

Samir holds an MBA from Wharton School, together with a Masters in International Studies from the University of Pennsylvania. He graduated with a Bachelor of Science in Business Administration from the University of Colorado.

**Mr. Ayman Zaidan, Head of Treasury and Investment Management**

Ayman Zaidan re-joined QFB in May 2014 as Head of Treasury & Investment Management, having previously held the role of Head of Treasury from October 2010 to March 2013.

Ayman has over 23 years of experience in banking and treasury activities. Prior to QFB, Ayman worked for National Bank of Kuwait (NBK), where he was general manager of the treasury group. Prior to NBK, Ayman headed the first energy bank treasury department, where as a senior executive director, he was a key contributor to the establishment of the bank. Ayman also spent 11 years at the Arab Banking Corporation (ABC) in Bahrain where his last position was head of structured and Islamic derivatives.

Ayman spent his early years as chief dealer at the Bank of Jordan, where he introduced derivatives to the banking industry in Jordan and helped the regulator in formulating the derivatives rules and regulations.

Ayman holds a Bachelor of Science in Accounting from the University of Jordan.

**Mr. Nizar Ahmadi, Head of Private Banking & Wealth Management**

Nizar Ahmadi joined QFB in January 2016 as Head of Private Banking & Wealth Management.

Nizar has over 30 years of banking experience. He started his career with Merrill Lynch in London where he worked for 10 years, followed by 5 years with Chase Manhattan in London where he managed in excess of USD2 billion for high net worth clients primarily from the GCC. Nizar then joined UBS in London for 5 years as a managing director, again predominantly managing funds for clients in the GCC. He joined Credit Suisse as managing director and subsequently moved to Dubai to help grow Middle East assets, which he successfully achieved, overseeing growth in excess of USD4 billion. Immediately prior to joining QFB, he was managing partner at Vanguard Capital Partners in Qatar.

Nizar holds an MBA from the University of Houston and a Bachelors in Business Administration from Loyola Marymount University

**Mr. Hani Katra, Chief Financial Officer**

Hani Katra joined QFB in August 2011 and is the Chief Financial Officer, overseeing all aspects of finance, financial control and accounting across the Bank. Hani sits on the board of a number of the QFB portfolio companies.

Hani has over 18 years of experience in finance and public accounting in diverse sectors and industries. As Chief Financial officer, Hani oversees the Bank's balance sheet investment, strategic development, financial management, budgeting and planning.

Hani joined QFB from Barwa Real Estate Company in Qatar where he was the financial director. Prior to Barwa Real Estate Company, he worked with Deloitte Middle East for more than 10 years in the assurance and advisory service.

Hani holds an MA in Business Administration from the Lebanese American University. He is also a U.S. Certified Public Accountant and is a member of both the Institute of Management Accountants (IMA) and American Institute of Certified Public Accountants (AICPA).

**Mr. Nayeem Khan, Chief Operating Officer**

Nayeem Khan joined QFB in March 2015 as Chief Operating Officer, with responsibility for operations, information technology and administration.

Nayeem has a wealth of experience gained over nearly 25 years in the financial services industry. His experience spans consumer, corporate and private banking, primarily in the areas of operations and technology across different geographies.

Prior to QFB, Nayeem held several positions at Bank Julius Baer, the last of which was head of international operations overseeing operations at six of the Bank's eight booking centers globally. During his tenure at Bank Julius Baer, Nayeem played an instrumental role in building up the Asian (Singapore, Hong Kong) franchise of the bank and he was a key contributor in integrating Merrill Lynch's private wealth business with the bank in Asia.

Nayeem spent his early years with Citibank in their cards business and has also worked for GE Capital Services, DBS Bank and Standard Chartered Bank.

Nayeem has an MBA from the University of Hull, Bachelors in Arts (Public Administration & Political Science) and Post Graduate Diploma qualifications in Software Development, Hardware Maintenance and Networking.

**Mr. Yaser Al Maghribi, Chief Risk Officer**

Yaser Al Maghribi joined QFB in May 2015 as Chief Risk Officer.

Yaser has more than 25 years of experience in banking. Prior to joining QFB, he was a risk director at Barclays Bank, in London, where he covered sovereigns, financial Institutions, emerging markets, hedge funds and asset management.

Yaser holds a Master of Science in Applied Economics from Marquette University – Wisconsin, has published research and is a member of the Ccom and INVCO.

**Andrew Williams, Head of Human Resources**

Andrew Williams joined QFB in August 2015 as Head of Human Resources.

Prior to QFB, Andrew spent 3 years working for Visa Inc. in Dubai, where he was –senior director – global HR covering MENA, Russia and CIS/SEE.

Andrew has over 23 years of experience in the human resources field, but began his working life as a tax consultant with Arthur Andersen. He then spent 14 years working for Morgan Stanley in the HR function, with his final role being HR vice president covering Eastern Europe, Middle East and Africa. Andrew then joined an Islamic Investment firm, Fajr Capital, as head of HR & administration for 3 years, before moving to Doha to become head of international HR & integration with Qatar National Bank.

Andrew holds a Bachelor's degree in Economics from Manchester Metropolitan University and is a fellow of the Association of Taxation Technicians.

**Mr. Mohammed Al Sahli, Head of Investor Relations**

Mohammed Al Sahli joined QFB in January 2011 and is the Head of Investor Relations, managing the extensive private shareholder base of QFB. Mohammed has over 11 years of experience in communications, investor and shareholder relations gained from several positions in Qatari institutions.

Prior to joining QFB, he was the director of external communications at Barwa Real Estate Company.

Mohammed has a Bachelors in Business Administration from Qatar University.

**Moath Abdalla, Head of Compliance & MLRO**

Moath Abdalla joined QFB in January 2015, initially as Head of Internal Audit and now as Head of Compliance & MLRO.

Moath has more than 18 years of banking experience, mainly in control functions. Prior to joining QFB, he worked for 9 years with Sharjah Islamic Bank – UAE as head of the credit audit department. He has also worked for Abu Dhabi Islamic Bank and Mashreq Bank.

Moath holds a Bachelor of Science in Business Administration from Yarmouk University and is a Certified Internal Auditor, Certified Credit Analyst and Financial Risk Manager, level 2.

**Ismail Alawadhi, Head of *Shari'ah* Compliance**

Ismail Alawadhi joined QFB in February 2009 and is the Head of Shari'ah Compliance, working directly with the *Shari'ah* Supervisory Board which is headed by Dr. Ali Al Quradaghi.

Mr. Ismail has over 12 years of experience in the Islamic banking industry, and prior to this was a teacher in Islamic Studies for a number of years.

Prior to QFB, Ismail spent more than 4 years with Shamil Bank of Bahrain (now Ithmaar Bank) in the *Shari'ah* Compliance department and worked closely with some leading Shari'ah scholars in the GCC region.

Ismail is a Certified *Shari'ah* Advisor & Auditor (CSAA) from AAOIFI, Certified Islamic Finance Analyst and holds a Bachelor of Science in *Shari'ah* from Al-Imam Mohamed bin Saud Islamic University.

### **5.3. Management Committees**

The management of the Bank has also established 6 management committees, the members of which are Senior Executive Managers. These management committees have specific duties and responsibilities.

#### **5.3.1. MANCO**

The MANCO is responsible for reviewing the strategy of the Bank on an ongoing basis and for ensuring the Bank business plan approved by the Board is successfully implemented.

#### **5.3.2. ALCO**

The ALCO is chaired by the Chief Executive Officer and constituted to assist the Board and the management of the Bank in managing capital allocation, asset & liability management, managing country, counterparty, foreign exchange and market risk. The purpose of ALCO is to maximize net income over both the short and long term (i.e., throughout business cycles) while managing within acceptable Board-approved risk tolerances for credit risk, liquidity risk, profit rate risk and capital. The ALCO is responsible for determining the broad asset and liability management of the Bank and for supervising its implementation. ALCO shall ensure that the pricing of QFB funding sources are properly monitored, allocated and managed in a way to maximize profit and manage the liquidity and profit rate risk. The day-to-day asset and liability management is delegated to the Treasury & Investment Management department of the Bank.

#### **5.3.3. INVCO**

The INVCO is the principal committee which reviews, recommends and/or approves investment/divestment opportunities for submission to the Chairman and EXCOM.

#### **5.3.4. PROCO**

The PROCO has been established to ensure the proactive anticipation of customer needs and the development of workable product concepts that end up in development of tailor made products and services for the Bank's discerning customers.

#### **5.3.5. CONCO**

The CONCO has been established to discuss, review and manage, on an on-going basis, the internal control environment within the Bank and ensure it is maintained in line with best practices.

#### **5.3.6. Ccom**

The Ccom has been established to assist the EXCOM and the Board in proactively managing the credit risk exposure of QFB banking activities. It shall also manage the risk-reward relationship that exists between credit risk and profit rate risk of the exposures.

### **5.4. Senior Executive Managers' Interests**

None of the Senior Executive Managers hold or own any QFB shares. There are currently no formal arrangements in place that provide employee share schemes for QFB's employees.

## **5.5. Senior Executive Management Relationships**

None of the Senior Executive Managers is related to each other or to any Board members.

## **6. CORPORATE GOVERNANCE**

QFB's governance structure benefits extensively from the advice and support of the ARCC which has been established by the Board in accordance with the Articles of Association and acts in accordance to its terms of reference.

On 28 March 2016, the Shareholders approved amendments to the Articles of Association to comply with the strict requirements of the QFMA Corporate Governance Code that applies to all listed entities on the Qatar Exchange. In addition, QFB, being authorized by the QFCRA, is also subject to the stringent requirements of the QFC Regulations and the Guide to Corporate Governance for QFC Authorized Firms.

In 2014, the Board approved various initiatives to build the corporate governance and policies and procedures needed to implement the new business line of private banking encompassing corporate and institutional banking, placement and distribution of investment solutions and deposit taking. The Board approved the appointment of leading international advisors to consult on various aspects of launching the initiative including undertaking a gap analysis of the overall governance structure of the Bank and instituting new policies and procedures for the management of the new business line. As part of the proposals, a standalone Board committee was established by the Board to have oversight of the detailed programs and protocols for the launch and operation of the new business line. In addition, governance measures for the existing business lines were reviewed and no material findings were concluded.

## **7. LITIGATION STATEMENT ABOUT DIRECTORS AND SENIOR EXECUTIVE MANAGEMENT**

None of the Directors or Senior Executive Management:

- have any accusations, convictions or violations in relation to fraudulent offences;
- have been a director or senior executive manager of any company at the time of any bankruptcy, receivership or liquidation of such company;
- have been involved in any Personal bankruptcy, receivership or dissolution processes relating to themselves or for any company that they have had or continue to have an interest in; or
- have received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

## **8. CONFLICT OF INTEREST STATEMENT**

The Directors and Senior Executive Management hereby confirm that there is no matter that they are currently aware of that would create a conflict of interest between members of the Board or Senior Executive Management and QFB and their obligations towards QFB as a result of their office.



## RELATED PARTY TRANSACTIONS

As part of its business operations, the Group enters into transactions with related parties.

The Bank has strict internal rules and guidelines when dealing with related parties and strictly prohibits any preferential treatment of related parties. These include requirement of collateral for any finance or advance to a related party and exclusion of the financing member of the Board from any decision process regarding whether or not to extend credit.

For the purpose of the Articles of Association, which are in line with QFC Regulations, a related party is someone who:

- is a director of the Bank or an affiliate;
- is a member of Senior Executive Management;
- holds or controls 5% or more of the Shares or any affiliate;
- is a relative of any natural persons mentioned in (a), (b) and (c) above;
- is a company in which the natural persons mentioned in (a), (b) (c) and (d) above jointly or severally hold 20% or more of the voting shares or occupy the position of director, chief executive officer or senior officer in such company; or
- is a related company or the mother company of the Bank.

However, for the purpose of the Financial Statements, related party is defined in line with AAOIFI and IFRS accounting standards. As such, a related party is someone who 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 executive management personnel of the Group, close family members and entities owned or controlled by them, associates and affiliated companies.

Related party transactions and balances as per IFRS and AAOIFI are disclosed in note 27 to the Financial Statements. However, to comply with the definition of related party stipulated in the Articles of Association, an additional amount of QAR 19.0 million is to be added to reflect the compensation of senior executive management personnel for the purposes of the preparation of the Prospectus.

The tables below detail the related party exposure as per the Financial Statements 2015.

### Consolidated statement of financial position

Amounts in QAR MM	Affiliated Entities	Associates
Financing assets	-	125.6
Other assets	3.0	
Other liabilities	-	-
Assets of disposal group classified as held-for-sale	2.8	
Liabilities of disposal group classified as held-for-sale	1.4	

Source: Audited consolidated financial statements of QFB

**Consolidated income statement**

Amounts in QAR MM	Affiliated Entities	Associates
Income from financing assets	-	14.3
Revenue from non-banking activities	0.01	-

Source: Audited consolidated financial statements of QFB

**Compensation of key management personnel**

Amounts in QAR MM	FY 15
Senior management personnel	15.3
Senior management personnel – disposal group	15.4
Shari’a Supervisory Board remuneration	0.6

Source: Audited consolidated financial statements of QFB

Note that the related party exposure reflected in the tables above excludes transactions related to credit cards issued by the Bank.

For more details, please refer to note 27 of the Financial Statements.

## ECONOMY OF QATAR

### 1. OVERVIEW

Qatar has experienced rapid economic growth during the past decade. Real GDP grew at a CAGR of 17.5% between 2005 and 2010, before moderating to an average of 8.5% between 2010 and 2014. Such high growth rates were mainly driven by the expansion in the production levels of gas-related products, LNG and condensates, coupled with high hydrocarbon prices. The resource-driven economic boom boosted the GDP per capita based on PPP to over USD 100,000 since 2004 (according to IMF data) with Qatar ranking amongst the wealthiest nations in the world.

Qatar is endowed with the third-largest reserves of natural gas in the world behind Russia and Iran and is the world's largest exporter of LNG since 2006, accounting for one-third of global LNG exports. According to the BP Statistical Review of World Energy (June 2015), proven reserves of natural gas and oil amounted to 866.2 trillion cubic feet as of 2014. Based on projected long-term production levels, Qatar has over 100 years of proven gas reserves. The country also has proven reserves of crude oil estimated at 25.7 billion barrels as of 2014 and has been a member of OPEC since 1961. Virtually, all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated to be the largest non-associated gas field in the world by the U.S. Energy Information Administration.

The ability to produce and export significant quantities of condensate and natural gas liquids associated with natural gas gives Qatar a strong competitive advantage as a low cost producer in the global LNG market. In the medium-to-long term, new shale production, Russia's gas pipeline to China and increased pressure to delink LNG contracts from the price of oil pose potential risks. To counter these risks, Qatar has a strategic focus on diversifying into all major markets, adjusting the mix of destinations and contract types according to market need. In addition, most of the LNG produced by Qatar's upstream ventures is sold under long-term take-or-pay agreements that provide certainty of the off-take volumes. Qatar has also increasingly focused on developing and exploiting its natural gas resources beyond the LNG industry by implementing a downstream strategy driven by opportunities to generate additional revenue from its existing oil and gas production.

In recent years, Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programs, healthcare and education which have modernized Qatar's economy. The construction and real estate sectors have made substantial contributions to Qatar's economic growth. Significant investments have been made to increase economic returns from petrochemicals, financial services, infrastructure development and tourism, in particular. Resultantly, real GDP for the non-oil and gas sector grew at a CAGR of 16.1% between 2004 and 2014, significantly higher than the growth in the oil and gas sector for the same period (c. 9.0%).

Large scale infrastructure developments have attracted an influx of expatriate workers with Qatar's population growing at an average of over 9.0% during 2012 and 2014. The total population reached 2.4 million in 2015, with the expatriate community accounting for the majority of the total population while over 70.0% of the population is below the age of 40 years. As of 31 March 2016, MDP&S reported total population of 2.5 million.

As part of the diversification efforts and Qatar National Vision 2030, the Government is creating a 'knowledge economy', through the commercialization of research and development, in

partnership with the private sector. In this regard, Qatar launched the Ras Bufontas project near Hamad International Airport, which will be the first of three new special economic zones aimed towards diversifying the economy and is expected to open by 2017. Ras Bufontas will set aside for companies specialized in the logistics and air freight, technology, energy and construction sectors.

## 2. KEY ECONOMIC INDICATORS

	2012	2013	2014	2015E	2016E	2017E
Real GDP growth (%)	4.9	4.6	4.1	3.7	4.3	3.9
Nominal GDP (USD bn)	190.3	201.9	221.0	191.4	190.8	209.5
Nominal GDP growth (%)	12.1	6.1	9.5	-13.4	-0.3	9.8
Consumer Price Inflation (%)	1.9	3.1	3.0	1.5	1.5	2.0
Fiscal surplus (%of nominal GDP)	13.5	19.5	13.5	1.7	-4.8	3.7
Current account surplus (%of nominal GDP)	32.6	29.9	22.5	1.9	-3.9	-2.8
Population	1.8	2.0	2.2	2.4	2.6	2.7
GDP per capita – PPP(USD 000)	148.6	141.9	137.2	133.4	132.0	133.9

Note: Real GDP in constant 2013 prices.

Source: Ministry of Development Planning and Statistics – Qatar Economic Outlook 2015-2017, IMF World Economic Database (October 2015)

## 3. ECONOMIC GROWTH

The sharp decline in global oil prices since mid-2014 impacted GDP growth during 2015. Based on preliminary estimates released by the MDP&S for Q4 2015, nominal GDP amounted to QAR 147.0 billion, a decrease of 19.8% compared to Q4 2014 and a marginal decrease of 0.4%% compared to Q3 2015. This sharp decline is attributable to a 44.5% decline in the oil and gas sector due to the the drop in international crude oil prices, which more than offset an increase of 2.1% in the non-oil and gas sector.

In real terms, GDP stood at QAR 200.5 billion in Q4 2015, an increase of 4.0% compared to Q4 2014. Real GDP growth for the full year 2015 is estimated to have averaged 3.7% based on actual data for the first three quarters and preliminary data for Q4 2015. Economic diversification has helped support real GDP growth with a strong growth of 7.4%% in the non-hydrocarbon sector, offsetting the relative weakness in the contribution to GDP growth of the oil and gas sector. The non-hydrocarbon contributed 51.3% of the total real GDP sector led by particularly strong contribution from the financial and construction sectors.

Qatar's non-oil and gas sector is expected to remain buoyant spearheaded by construction, which is expected to expand by 13.5% in 2015. Ahead of the FIFA 2022 world cup, and in line with Qatar National Vision 2030, Qatar's spending on infrastructure is expected to reach around USD 150.0 billion over the next decade. Services output is also expected to rise strongly (9.8%), buoyed by population growth. However, hydrocarbon output would be impacted by shutdowns and maintenance of production facilities, as well as declining output from maturing oil fields. As of September 2015, S&P expected an average annual decline in crude oil production of about 5% over 2015-2018. Gas output (LNG and natural gas) is expected to be largely flat given Qatar's moratorium on new investments in the sector, while condensate volumes are likely to increase by about 5% per year over the same period.

In 2016 and 2017, MDP&S forecasted real GDP growth of 4.3% and 3.9%, respectively. Hydrocarbon output is expected to get a boost from Barzan, a new pipeline gas production facility scheduled to come on stream in 2016 and reach full capacity in 2017. The non-hydrocarbon sector is also

expected to continue to expand, but the rate of growth is expected to slow down as existing projects near completion. This in turn is likely to slow down population growth and consequently, the stimulus provided to non-traded service activity.

#### **4. FISCAL BALANCE**

Qatar has sustained budget surpluses since the fiscal year ended 31 March 2001 despite a large increase in expenditure in recent years in support of the Government's desire to build world-class infrastructure, health and education systems as well as outlays related to the FIFA World Cup in 2022.

In the budget for 2016, Qatar made a larger allocation (QAR 91.9 billion) for projects and a significant outlay for infrastructure, health and education sectors, accounting for 45.4% of the total projected expenditure of QAR 202.5 billion. Government infrastructure projects currently underway (excluding private sector and energy sector projects) amounted to QAR 261 billion.

On the other hand, budgeted revenue was projected to fall by 30.9% over 2015 to QAR 156 billion resulting in a deficit of QAR 46.5 billion (approximately 7.0% of GDP). The fall in revenue is due to a reduction in the oil price assumption to USD 48 per barrel from USD 65 barrel in the previous fiscal year and Qatar's reliance on hydrocarbon receipts for more than 80% of its revenues. The fiscal deficit in 2016 marks the country's first deficit since 1999 and a fall from the budget surplus of QAR 7.3 billion reported in 2015 (based on annualized nine months due to a shift in budget reporting period) or 1.1% of GDP. Nonetheless, the prudent management of hydrocarbon windfalls has enabled the Government to maintain one of the lowest fiscal breakeven oil prices in the GCC, while accumulating significant external assets through the Qatar Investment Authority. These assets could act as a buffer in the current period of a prolonged downturn in hydrocarbon prices.

#### **5. EXTERNAL SECTOR**

Over the years, Qatar has maintained a sizeable current account surplus. During 1H15 however, the QCB reported a 65% drop in the surplus to QAR 3.8 billion compared to the previous year (QAR 10.7 billion). For the full year 2015, a surplus is expected to be significantly smaller at approximately 2% of GDP, down from almost 23% in 2014, which will likely turn into a deficit of around 4% in 2016, due to weakening of exports from lower oil prices and increasing exports commensurate with the Government's infrastructure development program.

Non-oil exports are expected to increase, driven by greater investments in the non-hydrocarbons sector. Moreover, imports are expected to expand robustly, driven by the rising demand for consumer goods from a growing population and purchases of capital imports for infrastructure projects to boost economic diversification. With foreign workers' remittances rising strongly and services debits growing as a result of spending on services related to increasing imports, net non-merchandise outflows are forecasted to remain significant during 2015-2019.

Qatar has accumulated considerable foreign assets over the past decade, as a result of its development of its natural resources. International reserves have been steadily rising, driven by large current account surpluses. In February 2016, international reserves stood at USD 36.7 billion, 6.3 months of import cover, well above the IMF-recommended level of three months for pegged exchange rates. According to S&P forecasts, the general Government net asset position is expected to remain strong and average around 100% of GDP during 2015-2018.

In the medium term, S&P expects Qatar's external surpluses to narrow substantially as export receipts fall sharply between now and the end of 2016, while import demand remains strong. The transfers and income accounts of the current account are expected to remain in deficit, the former due to remittance outflows as a result of the expatriate population and the latter due to payments to the foreign firms that partner with Qatari companies in the oil and gas industry.

## **6. MONETARY POLICY**

Qatar's monetary policy is formulated by the QCB to, among other things, regulate interest rates, maintain the stability of the Qatari Riyal and control inflation. While the QCB operates in coordination with the Ministry of Economy and Commerce, it is independent from political interference in its management of monetary policy.

The Qatari Riyal has been pegged to the U.S. Dollar at a rate of QAR 3.64 per U.S. Dollar since 1980. It is one of the QCB's objectives to keep the Qatari Riyal stable against the U.S. Dollar. As the Qatari Riyal is pegged to the U.S. Dollar, the exchange rate of the Qatari Riyal against other major currencies fluctuates in line with the movements of the exchange rate of the U.S. Dollar against such currencies. Certain countries in the GCC, including Qatar, are considering a unified GCC currency.

## **7. INFLATION**

Prior to 2009, inflation as measured by the CPI grew at a CAGR of 9.2% from 2002 to 2008 to reach 15.2% in 2008. The rise in inflation can be primarily attributed to the rapid and sustained increase in rental prices, as well as an increase in international food and raw material prices. In order to address the domestic housing shortage and control housing prices, the Government supported several domestic and residential construction projects. As a result, cost pressure was abated and rental prices stabilized.

In March 2016, CPI rose by 3.3% YOY, but remained stable compared to February 2016.

During 2015, inflation lowered to 1.8% from 3.4% in 2014 due to weaker housing inflation (21.9% weight in CPI) and foreign inflation as global food prices have been on a gradual declining path since their peak in the summer of 2012. According to the MDP&S, global deflationary pressures and a strong U.S. Dollar (to which the Qatari Riyal is pegged) are expected to subdue imported sources of inflation in the short term. Moderation of population growth, expanded capacity in the non-traded sector and restraint in Government spending plans are all expected to contain domestic price pressures.

## **8. DEBT LEVEL & SOVEREIGN CREDIT RATING**

Qatar has historically had low levels of indebtedness as the country has demonstrated fiscal responsibility by managing its budget and public finances prudently. During 2009-2012 however, there was an increase in indebtedness mainly due to the support given by Qatar to the commercial banking sector during the global financial crisis in 2009. Further, QCB issued bonds and treasury bills in 2010, 2011 and 2012 to absorb excess liquidity among domestic commercial banks and to develop a yield curve for Qatari Riyal-denominated domestic bonds. The Government remains an active issuer of short and long dated maturities. In recent years, Qatar reduced its total external indebtedness and its total internal indebtedness. According to the Ministry of Finance, Qatar's total direct external debt amounted to QAR 67.0 billion (USD 18.4 billion) as of the fiscal year ended

31 March 2014. At year-end 2014, Qatar's debt to GDP ratio was estimated at 32.6% by Moody's. The Government is planning to finance its fiscal deficits in 2016 through debt issuances in the local and international markets which will increase the Government debt levels.

Qatar's sovereign credit rating is maintained at AA by S&P and Fitch with a stable outlook. However, on 4 March 2016, Moody's placed Qatar's Aa2 government bond and issuer ratings on review. As part of this review, Moody's will assess the economic and fiscal strength of Qatar as well as the credibility and sustainability of the Government's policy actions in mitigating the impact of the sharp decline in oil prices.

## QATAR EXCHANGE

The Qatar Exchange was officially established in 1995 and launched in May 1997. The local bourse was established with a view to promote foreign and domestic investment in Qatar and encourage diversification of the economy.

Total market capitalization of the Qatar stock market stood at USD 152.0 billion as of year-end 2015. The Qatar Exchange had a total of 43 listed companies and 11 licensed brokers. There are currently two trading platforms operated by the Qatar Exchange: the Qatar Exchange Primary Market and the Qatar Exchange Venture Market. All 43 companies are listed on the Qatar Exchange Primary Market. The Qatar Exchange also offers an electronic trading platform which was introduced in 2002.

Stock market performance has varied over the last five years. After rallying strongly for two consecutive years in 2013 (24.2%) and 2014 (18.4%), the local bourse declined by 15.5% in 2015. Other GCC markets also declined by 13-17% in 2015 amidst sharp sell-off in global equity, commodity and currency markets.

Year	No. of Transactions (000s)	Volume of Shares (million)	Value (USD bn)	Market Cap (USD bn)	Market Performance (YOY)
2011	1,119.1	2,302.8	22.9	125.6	1.12%
2012	881.6	2,428.2	19.4	126.3	-4.79%
2013	961.8	1,937.5	20.5	152.4	24.17%
2014	2,058.6	4,439.9	54.7	185.7	18.36%
2015	1,190.8	2,302.4	25.7	152.0	-15.5%

Note: Market performance as measured by Doha Stock Market (DSM) General Index.

Source: Qatar Stock Exchange website

The underlying driver of the market rally in the previous two years was the upgrade of Qatar by MSCI and S&P, global index compilers, from frontier market to emerging market status. This marked a major milestone in the history of the Qatar Exchange. Since the initial announcement regarding the upgrade in 2013 and eventual implementation in 2014, the Qatar Exchange benefitted from a strong buying interest from investors resulting in a significant increase in trading volumes and turnover. About a year later, FTSE Russell, another global index provider, followed suit by announcing an upgrade of Qatar from 'frontier' status to 'secondary' emerging market in September 2015.

The index upgrades were a culmination of a long-standing strategy to increase international confidence and interest in the Qatar Exchange, via moves to widen and deepen the market. Amongst additional steps undertaken towards this objective, the Emir of Qatar passed a law in August 2014, increasing foreign ownership limit of listed Qatari companies from 25% to 49%. The law also allows foreigners to own more than 49% of a company in special cases subject to obtaining approval from the Council of Ministers. Further, the calculation of the foreign ownership limit was changed from a percentage of total free float to a percentage of total market capital. Continuing with market opening reforms, Government authorities announced in March 2015 that the citizens



of the GCC would be treated as Qatari citizens for the purpose of calculating foreign ownership in the Qatar Exchange. This has enabled foreign investors, from both the Gulf and outside the region, to hold bigger stakes in listed Qatari companies.

In addition to legal and regulatory reforms, Government authorities plan to develop the Qatar Exchange into a multi-asset platform by introducing diversified products including fixed income and equity exchange traded funds. Efforts are also underway to improve liquidity through margin trading and short selling.

## **TAXATION**

The QFC Tax Regulations define the scope, computation and administration of taxation of QFC-licensed entities.

### **1. METHOD OF TAXATION**

The QFC Tax Regulations apply to all QFC registered entities. A QFC entity is, under the QFC Tax Regulations, a body corporate, partnership, individual, unincorporated association or trust, which has been granted and continues to hold a QFC license issued by the QFCA.

Under the QFC Tax Regulations, a QFC entity shall be a tax resident in Qatar if it meets one of the following conditions:

- a) it is incorporated in Qatar under the QFC Companies Regulations 2005, the QFC Limited Liability Partnerships Regulations 2005, the QFC Partnership Regulations 2007 or any other regulations made under QFC law or rules made by the QFCRA or QFCA; or
- b) its place of effective management is in Qatar.

Subject to QFC's territorial system of taxation and participation exemption, a QFC entity which is a tax resident in Qatar, under the QFC Tax Regulations, shall be liable to QFC taxation on its local source profits derived from its licensed activities. Taxable profits exclude any non-local source income and related expenses. Furthermore, taxable profits may be reduced by tax losses of the company brought forward from an earlier period or by losses incurred by QFC entities that are members of the same group for the relevant accounting period. Tax relief is given for the accounting period in which the loss is incurred.

QFC entities, whether resident or non-resident in Qatar, are subject to a flat corporate income tax rate of 10%, as applicable, based on QFC's Territorial System of Taxation and Participation Exemption.

### **2. TERRITORIAL SYSTEM OF TAXATION**

The QFC tax regime is territorial in nature such that only local source profits, i.e., profits that arise in or are derived from Qatar, are subject to tax. Rules are in place to determine whether income may be considered as a local source. With the exception of interest income where specific rules apply, the source of income is broadly determined by where the operations that directly generated the income took place. A concessionary zero rate may apply in respect of certain insurance activities and Qatari-owned entities.

Profits derived from activities of a permanent establishment of a QFC-licensed entity outside Qatar are generally not considered local source profits and hence are generally not taxable under the QFC regime.

### **3. PARTICIPATION EXEMPTION**

The QFC tax regime contains a participation exemption whereby dividend income and gains/losses arising from certain "qualifying shareholdings" shall be exempt from tax. Broadly, a QFC entity is deemed to hold a "qualifying shareholding" in a company if it meets the following conditions:

- a) the QFC entity holds an interest of at least 10% of the ordinary share capital of the company;
- b) the QFC entity, or another company in the same group, has held the interest referred to in (a) above for a period of at least 6 months immediately preceding the date of disposal; and
- c) the shares in the company have not been held wholly or mainly with a view to resale.

#### **4. WITHHOLDING TAX**

Under the QFC Tax Regulations, QFC-licensed entities are not required to operate withholding tax on payments. In addition, dividends paid by QFC entities are not subject to withholding tax.

#### **5. DISPOSAL OF SHARES IN A QFC ENTITY**

The tax treatment of gains/losses arising on a disposal of shares in a QFC entity will depend on the tax residence status of the person making the disposal. Gains arising on such disposals should not be taxable under the QFC tax regime, provided the person making the disposal is not registered in the QFC. If the person making the disposal is registered in the QFC, gains arising on such disposals may be taxable depending upon whether or not certain criteria are satisfied. Specific advice should be taken by any persons considering disposing of shares in QFB.

#### **6. STATE INCOME TAX LAW AND EXECUTIVE REGULATIONS**

A QFC-licensed entity is bound by the terms of its QFC license to perform services within the scope of its license. Income generated from these licensed activities is subject to tax under the provisions of the QFC Tax Regulations.

To the extent that income is generated by a QFC-licensed entity from non-licensed activities, the provisions of the Income Tax Law and accompanying Executive Regulations would apply in respect of the taxation of such income. The Income Tax Law imposes a 10% standard rate of corporate income tax.

## UNDERTAKINGS BY THE BANK

*QFB undertakes to promptly inform the Qatar Exchange about any information that might affect the Bank's Share price on the Qatar Exchange, and to publish this information in daily newspapers in collaboration and coordination with the QFMA, the Qatar Exchange and the QFCRA, clearly and accurately. The Bank further undertakes to provide the Qatar Exchange with all periodic information and reports issued by the Bank in the future.*

*The Bank and the Board, acting jointly and severally, confirm that the information provided in the Prospectus is true and accurate, and no facts were omitted therefrom, which omission would render any statement in this undertaking or in the Prospectus misleading.*

## **LEGAL COUNSELS' REPORT**

We hereby confirm and certify that the listing of the Shares is in accordance with the QFCRA laws and regulations and in accordance with the rules and regulations of the QFMA and the Qatar Exchange and the Bank's constitutional documents.

We further confirm that all procedures undertaken in this respect are in accordance with applicable laws and regulations.

## **GENERAL INFORMATION**

### **1. LISTING**

The Bank will submit an application to the QFMA and the Qatar Exchange to list all of the Shares on the Qatar Exchange in accordance with the requirements of the QFMA and the Qatar Exchange. Trading in the Shares will be effected on an electronic basis, through the Bank's share registry maintained by the Qatar Exchange. It is anticipated that Admission will occur during the last week of April 2016.

### **2. AUTHORIZATIONS**

The Bank has obtained all consents, approvals and authorizations in Qatar in connection with the Listing.

### **3. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection free of charge, during normal business hours at the registered office of the Bank from the date of publication of this Prospectus to Admission:

- this Prospectus;
- the Articles of Association; and
- the Financial Statements.

The registered office of the Bank is located at the Head Office.

### **4. SECURITY CODES**

The Qatar Exchange Shares trading symbol is QFBQ.

### **5. GUIDING TRADING PRICE**

The Shares have a nominal or par value of QAR 10 per Share. The Guiding Trading Price of QAR 15 per Share at the time of Admission for trading was determined by the Bank. There is no guarantee that trading will open, continue or persist at this price.

### **6. SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the Bank since 31 December 2015, the end of the last financial period for which financial information has been audited.

## 7. SUBSIDIARIES

The following is a list of the Subsidiaries:

Subsidiaries	Equity Shareholding As at 31 December 2015	Beneficial Ownership As at 31 December 2015
Future Card	46.0%	71.3%
Al Wasita	44.0%	85.0%
Isnad	34.0%	75.0%
Money Market Fund	100.0%	100.0%

### 7.1. Future Card

Future Card, a *Shari'ah*-compliant joint venture company, is incorporated in the United Arab Emirates and is a leader in the card manufacturing sector with expertise in the design, technology and customization of all types of cards, from the most basic plastic cards to the most advanced smartcards.

QFB directly holds a 46.0% equity stake in Future Card (and 71.3% beneficial and economic ownership through a shareholders' agreement entered into with the other stakeholders).

### 7.2. Al Wasita

Al Wasita is incorporated in the United Arab Emirates and provides catering, operations and maintenance services, supply and logistics services, cleaning, laundry and accommodation services, mainly to the military and oil & gas sector.

Through its wholly owned subsidiary *QF Ventures UAE Ltd*, QFB holds a 44.0% equity stake in Al Wasita (and 85.0% beneficial and economic ownership through a shareholders' agreement entered into with the other stakeholders). For recent developments see *Business of the Bank -Recent Developments* section of this Prospectus.

### 7.3. Isnad

Isnad is incorporated in Qatar and provides contract catering, operation and maintenance services, supply and logistics services, cleaning, laundry and accommodation services in Qatar.

Through its wholly owned subsidiary *QF Ventures Qatar BV*, QFB holds a 34.0% equity stake in Isnad (and 75.0% beneficial and economic ownership through a shareholders' agreement entered into with the other stakeholders).

### 7.4. Money Market Fund

Money Market Fund is established in the Cayman Islands as an exempted company, whose purpose is to act as an investment fund and provide investors with liquidity and a higher profit return than traditional *Shari'ah*-compliant bank deposits of similar liquidity, predominantly from a diversified portfolio of *Shari'ah*-compliant instruments. The company's investment policies and objectives are managed by *QFB Fund Management Ltd*, a wholly owned direct subsidiary of QFB, also established in the Cayman Islands as an exempted company, pursuant to a fund management agreement in place between the two entities.

## 8. INVESTEE COMPANIES

The following is a list of the Investee Companies:

Companies	Equity Shareholding *
David Morris	50.0%
Lamu Oil & Gas	50.0%
Food Services Company	49.0%
Leinster Square	40.5%
English Home	40.0%
Westbourne House	38.1%
Al Rifai International	35.3%
Memorial Healthcare	20.0%
Cambridge Medical	15.6%
Avivo Group	10.5%
Amanat Holdings	5.0%
Al Jazeera Finance	3.5%
Kuwait Energy Company	2.2%

\* For all Investee Companies, equity shareholding is equal to beneficial and economic ownership.

### 8.1. David Morris

David Morris is a company incorporated in England & Wales and is a well-known London-based English company specializing in luxury jewelry.

Through its wholly owned subsidiary *QFB Luxury Brands Ltd*, which holds a 50.0% stake in *Waterflow Enterprises Ltd*, which holds a 100.0% stake in David Morris, QFB holds a 50.0% equity stake in David Morris.

### 8.2. Lamu Oil & Gas

Lamu Oil & Gas is a company incorporated in Kenya that has been granted an oil and gas concession in Block L14, Lamu Basin, Kenya by the government of the Republic of Kenya.

Through its wholly owned subsidiary *QF Energy L14 Ltd*, which holds a 50.0% equity stake in *Lamu Basin L14 Ltd*, which holds, through its wholly-owned subsidiary *Lamu Oil & Gas L14 Ltd*, 100.0% (less one share) of the stake interest in Lamu Oil & Gas, QFB holds a 50.0% equity stake in Lamu Oil & Gas.

### 8.3. Food Services Company

Food Services Company is incorporated in Qatar and is specialized in branded food and beverages retail services in Qatar. It owns and operates brands such as Take Away, Kanafji, Opera Patisserie, Opera Café and Opera Catering.

Through its wholly owned subsidiary *QFB Food & Beverages LLC*, QFB holds a 49.0% equity stake in Food Services Company.

### 8.4. Leinster Square

Leinster Square is a company incorporated in the Isle of Man which owns 7-12 Leinster Square, a property located in Bayswater, Central London, England. Leinster Square is in the process of converting the property into luxury residential apartments and townhouses.



Through its wholly owned subsidiary *QF Leinster Ltd*, QFB holds a 40.5% equity stake in Leinster Square.

#### **8.5. English Home**

English Home is a company incorporated in Turkey and is a leading Turkish home textile retailer.

Through its wholly owned subsidiaries *QF Investment Holding BV* and *QF Turkey Investments BV*, QFB holds a 40.0% equity stake in English Home.

#### **8.6. Westbourne House**

Westbourne House is a company incorporated in the Isle of Man, which owns a property located in Westbourne Grove, Central London, England. The property was converted from an office into luxury residential apartments in August 2015 and most of the apartments have already been sold.

Through its wholly owned subsidiary *QF Westbourne Ltd*, QFB holds a 38.1% equity stake in Westbourne House.

#### **8.7. Al Rifai International**

Al Rifai is incorporated in the Cayman Islands and is a leading integrated manufacturer and retailer of nuts, kernels and complimentary snacks, with operations in the Middle East and Europe.

Through its wholly owned subsidiary Qatar First Hospitality Ltd, QFB holds a 35.3% equity stake in Al Rifai.

#### **8.8. Memorial Healthcare**

Memorial Healthcare is incorporated in Turkey and is a healthcare provider there. It currently operates 10 hospitals and is in the process of constructing the largest private hospital in Istanbul.

Through its wholly owned subsidiary *QFIB Healthcare 2 Sàrl*, QFB holds a 20.0% equity stake in Memorial Healthcare.

#### **8.9. Cambridge Medical**

Cambridge Medical is incorporated in the Republic of Cyprus and is a provider of long-term medical care in the United Arab Emirates.

Through its wholly owned subsidiary *QFB LT Care LLC*, QFB holds a 15.6% equity stake in Cambridge Medical.

#### **8.10. Avivo Group**

Avivo Group is incorporated in the Cayman Islands and focuses on the healthcare network platform in the United Arab Emirates.

Through its wholly owned subsidiary *QFB Healthcare Ltd*, QFB holds a 10.5% equity stake in Avivo Group.

### **8.11. Amanat Holdings**

Amanat Holdings is a public joint stock company listed on the Dubai Financial Market. It establishes, invests, manages, develops and operates companies working in the field of healthcare and education mainly in the GCC.

Through its wholly owned subsidiary *Astro AD Cayman Ltd*, QFB directly holds a 5.0% equity stake in Amanat Holdings.

### **8.12. Al Jazeera Finance**

Al Jazeera Finance is incorporated in Qatar and is a leading *Shari'ah* consumer finance company in the local market.

QFB directly holds a 3.5% equity stake in Al Jazeera Finance.

### **8.13. Kuwait Energy Company**

Kuwait Energy Company is incorporated in the Island of Jersey and is an independent oil & gas exploration and production company operating in the MENA region.

Through its wholly owned subsidiary *QF Energy Ltd*, QFB holds a 2.2% equity stake in Kuwait Energy Company.

QFB also has the two following dormant companies:

- London RE Fund
- QFB Asset Management Ltd

London RE Fund is a fund established in the Cayman Islands as an exempted limited partnership, with QFB acting as a limited partner and QFB Fund Management Ltd acting as a general partner. The purpose of the fund was to maximize profits primarily through the acquisition and development of real estate assets located in Central London, United Kingdom. To date, London RE Fund has never operated nor registered any activity and, as such, is dormant.

QFB wholly owns QFB Asset Management Ltd, a dormant company incorporated in the Cayman Islands. QFB intends to keep the company in existence as a special purpose vehicle in connection with any project that it may have in the future.

## **9. MATERIAL CONTRACTS**

Save for the contracts relating to each of the Subsidiaries<sup>""</sup>, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Bank and the Subsidiaries within the two years immediately preceding the date of this Prospectus and are, or may be, material or have been entered into at any time by the Bank and the Subsidiaries and contain provisions under which the Bank or a particular Subsidiary has an obligation or entitlement which is, or may be, material to the Bank or the relevant Subsidiary at the date of this Prospectus:

### **9.1. The Bank**

#### **Master Murabaha Agreement with QNB SAQ**

In June 2013, QFB entered into a *Shari'ah*-compliant loan agreement with Qatar National Bank SAQ (Singapore Branch).

Purpose of the agreement: Commodity Murabaha agreement to finance part of the consideration paid/payable for acquisitions/investments to be undertaken by QFB.

Facility Limit: USD 150,000,000

Term: 42 months from the date of this agreement.

#### **Lease Agreement with Qatar Charity**

In December 2010, the Bank entered into a sub-lease agreement with Qatar Charity, authorized by virtue of a lease contract signed in 2010 between Qatar Charity and Qatar International Islamic Bank.

Under the terms of this sub-lease agreement, the Bank agrees to sub-lease from Qatar Charity an entire building situated in the Al Sadd area in Doha, for a period of 10 years and for an amount of QAR 22,500,000 per annum.

### **9.2. Future Card**

#### **Partners Agreement**

In December 2012, a partnership agreement was entered into by QFB, Mr. Nizar Badee Rajjoub and Mr. Omar Abdullah Abdul Aziz Al Shamsi.

The partnership agreement sets out and defines the relationship between the parties with respect to their shareholdings in Future Card.

- *Term.* The partnership agreement shall remain in force until such time as Mr. Al Shamsi ceases to hold any nominee shares in Future Card (i.e., shares held by Mr. Al Shamsi for the benefit of QFB and Mr. Rajjoub).
- *Management.* Management is covered under the articles of association of Future Card. Future Card is managed by a board of managers made up of 5 managers out of which QFB appoints three managers.
- *Restriction on transfers.* There is a number of transfer restrictions included in the articles of association including partners' preemptive rights.

### **9.3. Al Wasita**

#### **Shareholders' Agreement**

A shareholders' agreement executed in June 2012, as further amended (the **Al Wasita SHA**) was entered into by QF Ventures UAE Ltd, Yaghnem International Inc. and Mohamed Mubarak Ali Rashed Al Mazrouei.

The Al Wasita SHA regulates the management of Al Wasita and sets out and defines the relationship between the parties with respect to their shareholdings in the company.

- *Term.* The Al Wasita SHA shall remain in force until such time that either one of the shareholders holds all the shares in Al Wasita or the company is being wound up.
- *Management.* The Al Wasita SHA contains a number of voting requirements at both the board and shareholder level, with such requirements varying depending on the type of decision being taken. These arrangements are customary for shareholders' agreements of this type.
- *Restriction on transfers.* A number of restrictions exist regarding the transfer of Al Wasita shares by shareholders.

#### **9.4. Isnad**

##### **Joint Venture Agreement**

In 2011, a joint venture agreement (the **Isnad JVA**) was entered into by QF Ventures Qatar B.V., Yaghnam International Inc. and Al Khor & Dakira Schemes & Services Co.

The Isnad JVA regulates the management of Isnad and sets out and defines the relationship between the parties with respect to their shareholdings in the company.

- *Term.* The Isnad JVA shall remain in force until such time that either one of the shareholders holds all the shares in Isnad or the company is being wound up.
- *Management.* The Isnad JVA contains a number of voting requirements at both the board and shareholder levels, with such requirements varying depending on the type of decision being taken. These arrangements are customary for joint venture agreements of this type.
- *Restriction on transfers.* A number of restrictions exist regarding the transfer of Isnad shares by shareholders.

#### **9.5. Money Market Fund**

##### **Prospectus**

In March 2016, QFB issued the Fund Prospectus for Money Market Fund.

Money Market Fund is established in the Cayman Islands and managed by QFB Fund Management Ltd. According to the Fund Prospectus, it is a *Shari'ah*-compliant, open-ended fund that will seek to invest in a diversified portfolio of *Shari'ah*-compliant money market instruments, including but not limited to Islamic deposits, sukuk, Ijara funds and other *Shari'ah*-compliant funds across the MENA region and Turkey.

### **10. STATEMENT ON THE WORKING CAPITAL**

The Bank believes that it has sufficient working capital to meet all of its payment obligations for the next 12 months.

### **11. INDEPENDENT AUDITORS**

KPMG has been appointed as the independent auditors of the Bank for a period of one year starting from 28 March 2016 until the next annual general meeting of QFB.

KPMG has given and has not withdrawn its written consent to the inclusion in this Prospectus of the Financial Information.

## GLOSSARY OF DEFINED TERMS

<b>AAOIFI</b>	The Accounting and Auditing Organization for Islamic Financial Institutions.
<b>ALCO</b>	The asset and liability committee of the Bank the members of which are Senior Executive Managers.
<b>Admission</b>	Admission for trading on the Qatar Exchange as contemplated under this Prospectus.
<b>Al Jazeera Finance</b>	Al Jazeera Finance Q.S.C., a company incorporated in the State of Qatar.
<b>Al Noor Hospital</b>	Mediclinic International plc (formerly, Al Noor Hospitals Group Plc), a company listed on the London Stock Exchange in the United Kingdom.
<b>Al Rifai International</b>	Al Rifai International Holding Ltd, a company incorporated in the Cayman Islands.
<b>Al Wasita</b>	Al Wasita Emirates for Catering Services LLC, a company incorporated in the UAE.
<b>Al Wasita SHA</b>	The shareholders' agreement entered into by the shareholders of Al Wasita to govern their relationship as shareholders and the affairs of Al Wasita.
<b>Alternative Investments</b>	One of the two business segments of QFB as well as a business line of QFB.
<b>Amanat Holdings</b>	Amanat Holdings PJSC, a public joint stock company listed on the Dubai Financial Market in the UAE.
<b>ARCC</b>	The audit, risk and compliance committee of the Bank the members of which are Directors.
<b>Articles of Association</b>	The amended and updated articles of association of the Bank as adopted by the Extraordinary General Assembly on 28 March 2016.
<b>Associate</b>	In relation to a Shareholder or someone entitled to exercise or control the exercise of voting power in the Bank: <ul style="list-style-type: none"> <li>the spouse, child or stepchild of that Person,</li> </ul>

	<ul style="list-style-type: none"> <li>• trustee of any settlement (including any disposition or arrangement under which property is held on trust (or subject to a comparable obligation) under which that Person has a life interest in possession),</li> <li>• an entity of which that Person is a director, or an entity in the same group as that Person,</li> <li>• a Person who is an employee or partner of that Person,</li> <li>• if that Person is an entity, a director or subsidiary of that Person, or a director or employee of such subsidiary, or</li> <li>• if that Person has with any other Person an agreement or arrangement with respect to the acquisition, holding or disposal of shares or other interests in the Bank or under which they undertake to act together in exercising their voting power in relation to the Bank (other than where the only such agreement or arrangement to which they are party forms part of the constitutional documents of the Bank).</li> </ul>
<b>AUM</b>	Assets under management.
<b>Avivo Group</b>	Avivo Group (formerly known as Healthcare MENA Ltd), a company incorporated in the Cayman Islands.
<b>Bahrain</b>	Kingdom of Bahrain.
<b>Bank</b>	QFB.
<b>Basel II</b>	The second of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.
<b>Basel III</b>	The third of the Basel Accords, which are recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision.
<b>Board</b>	The board of Directors of the Bank.'
<b>Bps</b>	Basis points.
<b>British Pound or GBP</b>	The lawful currency of the UK.
<b>CAGR</b>	Compound annual growth rate, i.e. year-over-year growth rate of an investment over a specified period of time.

<b>Cambridge Medical</b>	CMRC Limited, a company incorporated in the Republic of Cyprus.
<b>Capital Intelligence</b>	An international firm that provides credit analysis and ratings.
<b>CAR</b>	Capital adequacy ratio, i.e. the ratio of a bank's capital to its risk.
<b>Ccom</b>	The credit committee of the Bank the members of which are Senior Executive Managers.
<b>Chairman</b>	The chairman of the Board.
<b>Chief Executive Officer</b>	The chief executive officer of the Bank.
<b>Chief Financial Officer</b>	The chief financial officer of the Bank.
<b>CIR</b>	Cost to income ratio.
<b>Committee</b>	A committee of the Bank delegated to by the Board, which currently includes the 5 following: EXCOM, ARCC, Credit Committee, Nomination Committee and Remuneration Committee.
<b>CONCO</b>	The controls committee of the Bank, the members of which are Senior Executive Managers.
<b>Corporate &amp; Institutional Banking</b>	One of the 3 business lines of the Private Bank.
<b>Council of Ministers</b>	The Council of Ministers of Qatar.
<b>CPI</b>	The Consumer Price Index.
<b>David Morris</b>	David Morris International Ltd, a company incorporated in England and Wales, United Kingdom.
<b>DCF</b>	Discounted cash flow.
<b>DFSA</b>	The Dubai Financial Services Authority, being the financial services regulator of the DIFC.
<b>DIFC</b>	The Dubai International Financial Centre.

<b>Director</b>	A member of the Board.
<b>Dubai Financial Market</b>	A stock exchange located in Dubai, UAE.
<b>English Home</b>	EHM Magazacilik Sanayi Ve Ticaret Anonim Sirketi, a company incorporated in the Republic of Turkey.
<b>ENPI</b>	Emirates National Factory for Plastic Industries LLC, a limited liability company incorporated in the UAE.
<b>Euro</b>	The lawful currency of the European Union.
<b>EXCOM</b>	The executive committee of the Bank, the members of which are Directors.
<b>Executive Regulations</b>	The executive regulations of the Income Tax Law.
<b>External Auditors</b>	The external auditors of the Bank which were PWC for the financial years ended on 31 December 2013 and 31 December 2014, and KPMG for the financial year ended on 31 December 2015.
<b>Extraordinary General Assembly</b>	A General Assembly other than the Ordinary General Assembly.
<b>FAS</b>	The financial accounting standards issued by AAOIFI.
<b>Fis</b>	Financial institutions.
<b>Financial Statements</b>	The audited consolidated financial statements of QFB for the years ended on 31 December 2013, 2014 and 2015.
<b>Financial Statements 2015</b>	The audited consolidated financial statements of QFB for the year ended on 31 December 2015.
<b>Fitch</b>	Fitch Ratings, the international ratings agency.
<b>Food Services Company</b>	Food Services Company LLC, a company incorporated in the State of Qatar.
<b>Free Zone</b>	The free zones established and operating in the UAE.
<b>FTSE Russell</b>	A company which develops and implements index solutions based on investor needs and priorities.



<b>Fund Prospectus</b>	The prospectus of Money Market Fund as amended and updated in March 2016.
<b>Future Card</b>	Future Card Industries LLC, a company incorporated in the UAE.
<b>FVTE</b>	Fair value through equity.
<b>FVTIS</b>	Fair value through income statement.
<b>FX</b>	Foreign exchange.
<b>FY</b>	Financial year of the Bank, i.e. from 1 January to 31 December.
<b>GCC</b>	The Gulf Co-operation Council, also known as Co-operation council for Arab States of the Gulf, whose members are Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.
<b>GDP</b>	Gross Domestic Product, i.e. the monetary value of all the finished goods and services produced within a country's borders in a specific time period.
<b>General Assembly</b>	The general assembly of the Shareholders (whether an Ordinary General Assembly or Extraordinary General Assembly).
<b>Government</b>	The Government of Qatar.
<b>Group</b>	The Bank and each of its Subsidiaries (and their intermediate holding companies).
<b>Guide to Corporate Governance for QFC Authorized Firms</b>	The guide to corporate governance for QFC authorized firms dated January 2012 and issued by the QFCRA.
<b>Guiding Trading Price</b>	The indicative trading price of each Share, which is, for the purpose of this Prospectus, to be set at QAR 15 per Share, which represents a discount from the value of the Bank. Such price is only for guidance. There is no guarantee that trading will open, continue or persist at this price.
<b>Hamad International Airport</b>	The international airport of Qatar.
<b>Head Office</b>	QFB head office located at 231 Suhaim Bin Hamad Street, Al Sadd, P.O. Box 28028, Doha, Qatar.

<b>HNWI</b>	High net worth individuals.
<b>HR</b>	Human Resources.
<b>IASB</b>	The International Accounting Standards Board.
<b>IBANK</b>	The Islamic Banking Business Prudential Rules 2015.
<b>IFRS</b>	The International Financial Reporting Standards issued by the IASB.
<b>IMF</b>	The International Monetary Fund.
<b>Income Tax Law</b>	The income tax law of the State of Qatar No.21 of 2009.
<b>INVCO</b>	The investment committee of the Bank, the members of which are Senior Executive Managers.
<b>Investee Company(ies)</b>	Private equity investment(s) under the Alternative Investments business segment in which QFB holds a non-controlling interest
<b>Investor</b>	Any Person who holds or acquires Shares.
<b>Isnad</b>	Isnad for Catering & Services Q.S.C.C., a company incorporated in the State of Qatar.
<b>Isnad JVA</b>	The joint venture agreement entered into by the shareholders of Isnad to govern their relationship as shareholders and the affairs of Isnad.
<b>IT</b>	Information technology.
<b>Japanese Yen</b>	The lawful currency of Japan.
<b>KPMG</b>	KPMG LLC.
<b>Kuwait</b>	State of Kuwait.
<b>Kuwait Energy Company</b>	Kuwait Energy Plc, a company incorporated in the Island of Jersey, UK.
<b>Lamu Oil &amp; Gas</b>	Lamu Oil & Gas Limited, a company incorporated in Kenya.

<b>Leinster Square</b>	Leinster Square Limited, a company incorporated in the Isle of Man, United Kingdom.
<b>Listing</b>	Listing of the Shares on the Qatar Exchange as contemplated under this Prospectus.
<b>Listing Advisor</b>	Al Rayan Investment LLC.
<b>LNG</b>	Liquefied natural gas.
<b>London RE Fund</b>	QFB London Real Estate Fund I LP, an exempted limited partnership registered in the Cayman Islands.
<b>London Stock Exchange</b>	A stock exchange located in London in the UK.
<b>MANCO</b>	The management committee of the Bank, the members of which are Senior Executive Managers.
<b>MDP&amp;S</b>	The Qatar Ministry of Development Planning and Statistics.
<b>Memorial Healthcare</b>	Istanbul Memorial Saglik Yatirimlari Anonim Sirketi, a company incorporated in the Republic of Turkey.
<b>MENA</b>	The countries and territories of the Middle East and North Africa region, i.e. Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, UAE, Palestine, and Yemen.
<b>Metal First Elite MasterCard Charge Card</b>	QFB credit card program for its elite customers.
<b>Ministry of Economy and Commerce</b>	The ministry of economy and commerce of Qatar.
<b>Ministry of Finance</b>	The ministry of finance of Qatar.
<b>Money Market Fund</b>	QFB Money Market Fund I, a company incorporated in the Cayman Islands as an exempted company.
<b>Moody's</b>	Moody's Investors Services, a global credit rating agency.
<b>MSCI</b>	MSCI Inc., formerly MSCI Barra.
<b>Nobles Consortium</b>	Nobles Consortium 1 FZC, a company incorporated in the UAE.

<b>NPL</b>	Non-performing loan.
<b>Oman</b>	Sultanate of Oman.
<b>OPEC</b>	The Organization of the Petroleum Exporting Countries.
<b>Ordinary General Assembly</b>	The General Assemble which shall meet at least once a year and approve.
<b>OTC</b>	Over the counter.
<b>P/B</b>	Price to book ratio, a financial ratio used to compare a company's market price with its book value.
<b>Person</b>	Natural or legal person.
<b>PPP</b>	Purchasing-power-parity.
<b>Pre-Listing Shareholders</b>	The Shareholders immediately prior to the Listing.
<b>Private Bank</b>	One of the two business segments of QFB.
<b>Private Banking &amp; Wealth Management</b>	One of the 3 business lines of the Private Bank.
<b>PROCO</b>	The product development committee of the Bank, the members of which are Senior Executive Managers.
<b>Prospectus</b>	The prospectus hereof.
<b>PWC</b>	PricewaterhouseCoopers, PO Box 6689, Doha, Qatar.
<b>QAR or Qatari Riyal</b>	The lawful currency of Qatar.
<b>Qatar</b>	State of Qatar.
<b>Qatar Credit Bureau</b>	A Qatari company that collects information relating to credit ratings of Qatari individuals and corporates and makes it available to institutions, including financial institutions.
<b>Qatar Exchange</b>	The Qatar Stock Exchange, the principal stock market of Qatar, previously known as the Doha Securities Market.
<b>Qatar Exchange Primary Market</b>	The market where an issuer offers securities for public or private subscription by investors.

<b>Qatar Exchange Venture Market</b>	The market for listing shares of small and medium sized companies.
<b>Qatar Investment Authority</b>	Qatar's sovereign wealth fund.
<b>Qatar National Vision 2030</b>	Development plan launched in October 2008 by the DDP&S.
<b>QFB</b>	Qatar First Bank L.L.C., previously known as Qatar First Investment Bank, a limited liability company incorporated in the QFC, registered under QFC license number 00091, licensed by the QFCA and authorized by the QFCRA pursuant to an authorization dated 4 September 2008 and extended on 30 June 2010.
<b>QCB</b>	The central bank of Qatar formerly known as Qatar Monetary Agency.
<b>QCB Rate</b>	The interest rates announced by QCB on loan transactions between QCB and local banks.
<b>Qcon</b>	Qatar Engineering & Construction Company WLL, a company incorporated under the laws of Qatar.
<b>QFB Capital</b>	A new separate entity of the Bank currently under incorporation and proposed to be established in Qatar as a limited liability company, to be licensed by the QFCA and regulated by the QFCRA.
<b>QFC</b>	Qatar Financial Centre.
<b>QFC Companies Regulations 2005</b>	The companies' regulations of 2005, which codifies the rules and regulations governing companies established in the QFC.
<b>QFC Law</b>	The QFC law No. (7) of 2005.
<b>QFC Limited Liability Partnerships Regulations 2005</b>	The limited liability partnerships regulations of 2005, which codifies the rules and regulations governing limited liability partnerships established in the QFC.
<b>QFC Partnership Regulations 2007</b>	The partnership regulations of 2007, which codifies the rules and regulations governing partnerships established in the QFC.
<b>QFC Regulations</b>	The rules and regulations of the QFC.

<b>QFC Tax Regulations</b>	The tax regulations promulgated by the QFCA as most recently amended and enacted on 18 June 2014.
<b>QFCA</b>	The Qatar Financial Centre Authority.
<b>QFCRA</b>	The Qatar Financial Centre Regulatory Authority.
<b>QFCRA Regulations</b>	The rules and regulations of the QFCRA.
<b>QFMA</b>	Qatar Financial Markets Authority.
<b>QFMA Offering and Listing Rulebook of Securities</b>	The rulebook issued by the QFMA on November 2010 (and its subsequent amendments) for the offering and listing of securities on the Qatar Exchange.
<b>QFMA's Corporate Governance Code</b>	The QFMA's Corporate Governance Code for Companies Listed in Markets Regulated by the QFMA (January 2009).
<b>QNB SAQ</b>	Qatar National Bank SAQ (Singapore Branch).
<b>Ras Bufontas</b>	A new economic zone in Qatar.
<b>Restricting Factors</b>	Those factors restricting the Bank's ability to pay dividends on the Shares to its Shareholders, as illustrated in the <i>Dividend Policy</i> section.
<b>ROAA</b>	Return on average assets.
<b>ROAE</b>	Return on average equity.
<b>Risk Factors</b>	The discussion of certain factors to be considered in evaluating an investment in the Shares, contained in the <i>Risk Factors</i> section of this Prospectus.
<b>Saudi Arabia</b>	Kingdom of Saudi Arabia.
<b>Securities Act</b>	The U.S. Securities Act of 1933 (as amended).
<b>Senior Executive Management or Manager</b>	The Chief Executive Officer, and the other senior executive managers reporting directly to the Chief Executive Officer.
<b>Shareholders</b>	The shareholders of QFB at any given time.

<b>Shares</b>	The 200,000,000 ordinary issued and paid shares of QFB with a nominal value of QAR 10.00 each.
<b><i>Shari'ah</i> Supervisory Board</b>	The supervisory board of the Bank tasked with ensuring that the activities of the Bank are compliant with <i>Shari'ah</i> principles.
<b>State Property Law</b>	The Qatari property law No. 10 of 1987.
<b>Subsidiaries</b>	The following four companies which are consolidated in the Financial Statements: <ul style="list-style-type: none"> <li>• Al Wasita,</li> <li>• Isnad,</li> <li>• Future Card, and</li> <li>• Money Market Fund.</li> </ul>
<b>S&amp;P</b>	Standard & Poor's, a global credit rating agency.
<b>Treasury &amp; Investment Management</b>	One of the 3 business lines of the Private Bank.
<b>Turkish Lira</b>	The lawful currency of the Republic of Turkey.
<b>UAE</b>	The United Arab Emirates.
<b>UK or United Kingdom</b>	The United Kingdom of Great Britain and Northern Ireland.
<b>UK Financial Services Authority</b>	An authority which regulates the financial services industry in the UK.
<b>UAE Dirhams or AED</b>	The UAE dirhams or the lawful currency of the UAE.
<b>URIA</b>	Unrestricted investment account holders.
<b>U.S. or USA</b>	The United States of America, including its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island, the Northern Mariana Islands and U.S. Minor Outlying Islands) and any state of the United States of America, the District of Columbia and other areas subject to U.S. jurisdiction.
<b>U.S. Dollar or USD</b>	The lawful currency of the United States of America.
<b>U.S. Federal Reserve</b>	The central banking system of the United States.

<b>Vice-Chairman</b>	The vice-chairman of the Board.
<b>Watania Takaful</b>	National Takaful Company (Watania) P.J.S.C., a public joint stock company listed on the Abu Dhabi Securities Exchange, UAE.
<b>Westbourne House</b>	Westbourne House Limited, a company incorporated in the Isle of Man, United Kingdom.
<b>YoY</b>	Year on year.



*Listing Advisor*

**Al Rayan Investment L.L.C.**

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Doha, Qatar

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Abu Dhabi, UAE

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*Independent Valuer*

**Deloitte & Touche**

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