بنك الدوحة
DOHA BANK

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2017

DOHA BANK Q.P.S.C.

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Doha Bank (Q.P.S.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Doha Bank (Q.P.S.C.) (the 'Bank') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

<table>
<tr><td><u>Impairment of loans and advances</u> - refer to notes 3(g)(v), 4(b)(v), 5(a)(i) and 10(c) in the consolidated financial statements</td><td><u>How the matter was addressed in our audit</u></td></tr>
<tr><td>We focused on this area because:

• Loans and advances are QAR 59,804 million representing 64% of the Group's total assets as at 31 December 2017, hence a material portion of the consolidated statement of financial position. The net impairment charge on loans and advances during the year was QAR 593 million.
• The Group makes complex and subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment.</td><td>Our audit procedures in this area included, among others:

• Our team used their local knowledge to assess the trends in their local credit environment and considered the likely impact on the Group's loans and advances portfolio to focus their testing on key risk areas.
• For the corporate portfolio:
- we tested the key controls over the credit grading and monitoring process;
- we tested the governance controls over the impairment processes, including the continuous re-assessment by the Group that impairment policies remain appropriate for the risks within the Group's loans and advances portfolio;
- we performed detailed credit assessments of a sample of performing and non-performing loans and advances in line with QCB regulations;
- as part of our credit assessments for these selected loans and advances, we critically challenged the reasonableness of the forecast of recoverable cash flows, realization of collateral and other possible sources of repayment. We tested the consistency of key assumptions and compared them to progress against business plans and our own understanding of the relevant industries and business environments. We also agreed them where possible to externally derived evidence.
• For the retail portfolio, the impairment process is based on historical payment performance of each segment within the portfolio, adjusted for current market and economic conditions. We tested the accuracy of key variables relevant for the retail loans portfolio (e.g. year-end balances, repayment history, past-due status) and we assessed the appropriateness of the impairment calculation methodology. We evaluated whether the output is consistent with historical payment performance, and we challenged the appropriateness of the Group's adjustments to reflect current market and economic conditions.
• For the collective impairment calculation, our work included testing controls over the appropriateness of the methodology and models used to calculate the charge, the process of determining key assumptions and the identification of loans to be included within the calculation.
• We assessed the adequacy of the Group's disclosure in relation to impairment of loans and advances by reference to the requirements of IFRS and QCB regulations.</td></tr>
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Valuation of investment securities - refer to notes 3(g)(v), 5(a)(ii), 5(b)(ii) and 11 in the consolidated financial statements	How the matter was addressed in our audit
We focused on this area because: • Investment securities are QAR 17,513 million representing 18.7% of the Group's total assets as at 31 December 2017, hence a material portion of the consolidated statement of financial position. Available-for-Sale ("AFS") investment securities amount to QAR 11,818 million and account for 67.5% of the total investment securities, which comprise quoted and unquoted securities, pricing of which involves management judgment. • IFRS and QCB regulations require assessment at each reporting date to determine whether there is objective evidence that an investment is impaired. In case of equity instruments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of an investment below cost, determination of which requires management judgment.	Our audit procedures in this area included, among others: • Testing controls over the process of valuation of investment securities. • Agreeing the valuation of the quoted equity and debt securities to externally quoted prices. • For unquoted debt and equity securities, assessing the appropriateness of the valuation methodology and challenging the key underlying assumptions, such as pricing inputs and discount factors. • For AFS equity instruments, performed tests to determine whether there has been a significant or prolonged decline in the fair value of the relevant securities. • For AFS debt securities, performed tests to determine whether there is objective evidence of impairment due to credit-related factors. • We assessed the adequacy of the Group's disclosure in relation to the valuation of investment securities by reference to the requirements of IFRS and QCB regulations.

Other Matter

The consolidated financial statements as at and for the year ended 31 December 2016 were audited by another auditor, whose audit report dated 30 January 2017, expressed an unmodified audit opinion thereon.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Bank's 2017 annual report (the "Annual Report"), but does not include the Bank's consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and when it becomes available, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information (continued)

When we read the annual report, if we conclude that there is a material misstatement therein we are required to communicate the matter with those charged with governance.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and QCB regulations, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the Audit of the Consolidated Financial Statements (continued)

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have not been provided the report of the Board of Directors to determine whether the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the applicable provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Bank's Articles of Association and the amendments thereto, having occurred during the year which might have had a material effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2017.

23 January 2018
Doha
State of Qatar

Gopal Balasubramaniam
Qatar Auditor's Registry Number 251
KPMG
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 QAR '000s

	Notes	2017	2016
ASSETS			
Cash and balances with central banks	8	**6,669,609**	4,260,410
Due from banks	9	**7,821,983**	10,505,250
Loans and advances to customers	10	**59,804,174**	59,186,222
Investment securities	11	**17,512,610**	14,706,110
Investment in an associate	12	**11,126**	10,343
Property, furniture and equipment	13	**708,580**	770,845
Other assets	14	**967,199**	925,769
TOTAL ASSETS		**93,495,281**	90,364,949
LIABILITIES			
Due to banks	15	**11,005,061**	12,275,336
Customer deposits	16	**59,468,326**	55,729,950
Debt securities	17	**657,669**	1,819,598
Other borrowings	18	**5,432,936**	4,994,474
Other liabilities	19	**2,124,292**	2,165,056
TOTAL LIABILITIES		**78,688,284**	76,984,414
EQUITY			
Share capital	20 (a)	**3,100,467**	2,583,723
Legal reserve	20 (b)	**5,092,762**	4,317,561
Risk reserve	20 (c)	**1,372,000**	1,372,000
Fair value reserve	20 (d)	**(67,555)**	(103,412)
Foreign currency translation reserve	20 (e)	**(13,451)**	(24,991)
Retained earnings		**1,322,774**	1,235,654
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		**10,806,997**	9,380,535
Instruments eligible as additional capital	20 (g)	**4,000,000**	4,000,000
TOTAL EQUITY		**14,806,997**	13,380,535
TOTAL LIABILITIES AND EQUITY		**93,495,281**	90,364,949

The consolidated financial statements were approved by the Board of Directors on 23 January 2018 and were signed on its behalf by:

Fahad Bin Mohammad Bin Jabor Al Thani
Chairman

Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Dr. Raghavan Seetharaman
Group Chief Executive Officer

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017 QAR '000s

	Notes	**2017**	2016
Interest income	21	**3,630,853**	3,168,995
Interest expense	22	**(1,375,382)**	(1,108,349)
Net interest income		**2,255,471**	2,060,646
Fee and commission income	23	**516,313**	502,948
Fee and commission expense	24	**(51,788)**	(43,169)
Net fee and commission income		**464,525**	459,779
Gross written premium		**62,315**	65,237
Premium ceded		**(17,195)**	(33,794)
Net claims paid		**(37,918)**	(23,419)
Net income from insurance activities		**7,202**	8,024
Net foreign exchange gain	25	**106,544**	102,246
Income from investment securities	26	**49,822**	55,584
Other operating income	27	**62,276**	54,879
		218,642	212,709
Net operating income		**2,945,840**	2,741,158
Staff costs	28	**(531,109)**	(516,304)
Depreciation	13	**(98,820)**	(93,642)
Impairment loss on investment securities	11	**(142,067)**	(139,499)
Net impairment loss on loans and advances to customers	10	**(592,541)**	(480,224)
Other expenses	29	**(472,664)**	(459,445)
		(1,837,201)	(1,689,114)
Profit before share of results of associate		**1,108,639**	1,052,044
Share of results of associate	12	**158**	(46)
Profit before tax		**1,108,797**	1,051,998
Income tax reversal	30	**1,277**	1,783
Profit		**1,110,074**	1,053,781
Earnings per share:			
Basic and diluted earnings per share (QAR)	31	**3.02**	3.12

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017 QAR '000s

	Note	**2017**	2016
Profit		**1,110,074**	1,053,781
Other comprehensive income:			
Items that are or may be subsequently reclassified to income statement:			
Foreign currency translation differences for foreign operations		**11,540**	(5,166)
Net movement in fair value of available-for-sale investment securities	20 (d)	**35,857**	166,264
Other comprehensive income		**47,397**	161,098
Total comprehensive income		**1,157,471**	1,214,879

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017 QAR '000s

	Equity attributable to shareholders of the Bank								
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	**Total**	Instruments eligible as additional capital	**Total equity**
Balance as at 1 January 2017	2,583,723	4,317,561	1,372,000	(103,412)	(24,991)	1,235,654	**9,380,535**	4,000,000	**13,380,535**
Total comprehensive income:									
Profit	-	-	-	-	-	1,110,074	**1,110,074**	-	**1,110,074**
Other comprehensive income	-	-	-	35,857	11,540	-	**47,397**	-	**47,397**
Total comprehensive income	-	-	-	35,857	11,540	1,110,074	**1,157,471**	-	**1,157,471**
Transfer to legal reserve	-	85	-	-	-	(85)	**-**	-	**-**
Transfer to risk reserve	-	-	-	-	-	-	**-**	-	**-**
Distribution for Tier 1 capital notes	-	-	-	-	-	(220,000)	**(220,000)**	-	**(220,000)**
Contribution to social and sports fund	-	-	-	-	-	(27,752)	**(27,752)**	-	**(27,752)**
Increase in share capital (note 20 a)	516,744	775,116	-	-	-	-	**1,291,860**	-	**1,291,860**
Dividends paid (note 20 f)	-	-	-	-	-	(775,117)	**(775,117)**	-	**(775,117)**
Balance as at 31 December 2017	**3,100,467**	**5,092,762**	**1,372,000**	**(67,555)**	**(13,451)**	**1,322,774**	**10,806,997**	**4,000,000**	**14,806,997**

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

For the year ended 31 December 2017 QAR '000s

	Equity attributable to shareholders of the Bank								
	Share capital	Legal reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings	Total	Instruments eligible as additional capital	Total equity
Balance as at 1 January 2016	2,583,723	4,316,950	1,292,000	(269,676)	(19,825)	1,283,946	9,187,118	4,000,000	13,187,118
Total comprehensive income:									
Profit	-	-	-	-	-	1,053,781	1,053,781	-	1,053,781
Other comprehensive income	-	-	-	166,264	(5,166)	-	161,098	-	161,098
Total comprehensive income	-	-	-	166,264	(5,166)	1,053,781	1,214,879	-	1,214,879
Transfer to legal reserve	-	611	-	-	-	(611)	-	-	-
Transfer to risk reserve	-	-	80,000	-	-	(80,000)	-	-	-
Distribution for Tier 1 capital notes	-	-	-	-	-	(220,000)	(220,000)	-	(220,000)
Contribution to social and sports fund	-	-	-	-	-	(26,345)	(26,345)	-	(26,345)
Dividends paid (Note 20 f)	-	-	-	-	-	(775,117)	(775,117)	-	(775,117)
Balance as at 31 December 2016	2,583,723	4,317,561	1,372,000	(103,412)	(24,991)	1,235,654	9,380,535	4,000,000	13,380,535

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

For the year ended 31 December 2017 QAR '000s

	Notes	2017	2016
Cash flows from operating activities			
Profit before tax		**1,108,797**	1,051,998
Adjustments for:			
Net impairment loss on loans and advances to customers	10	**592,541**	480,224
Impairment loss on investment securities	11	**142,067**	139,499
Depreciation	13	**98,820**	93,642
Amortisation of financing cost		**44,121**	11,502
Net (gains) / loss on investment securities	26	**(10,571)**	5,095
Loss on sale of property, plant and equipment		**83**	446
Share of results of the associate	12	**(158)**	46
Profit before changes in operating assets and liabilities		**1,975,700**	1,782,452
Change in due from banks		**1,663,729**	541,188
Change in loans and advances to customers		**(1,294,604)**	(4,480,255)
Change in other assets		**(41,430)**	(173,003)
Change in due to banks		**(1,270,275)**	3,499,206
Change in customer deposits		**3,738,376**	2,963,337
Change in other liabilities		**(40,483)**	51,487
Social and sports fund contribution		**(26,345)**	(34,343)
Income tax paid		**1,277**	1,783
Net cash from operating activities		**4,705,945**	4,151,852
Cash flows from investing activities			
Acquisition of investment securities		**(7,634,121)**	(8,066,482)
Proceeds from sale of investment securities		**4,731,199**	5,578,839
Acquisition of property, furniture and equipment	13	**(36,684)**	(89,143)
Proceeds from the sale of property, furniture and equipment		**46**	9,997
Net cash used in investing activities		**(2,939,560)**	(2,566,789)
Cash flows from financing activities			
Proceeds from other borrowings	18	**438,462**	1,541,940
Proceeds from right issues		**1,291,860**	-
Repayment of debt security		**(1,823,000)**	(773,273)
Proceeds from issue of debt securities		**661,071**	-
Distribution on Tier 1 capital notes		**(170,000)**	(220,000)
Dividends paid		**(775,117)**	(775,117)
Net cash used in from financing activities		**(376,724)**	(226,450)
Net increase in cash and cash equivalents		**1,389,661**	1,358,613
Cash and cash equivalents as at 1 January		**8,916,014**	7,557,401
Cash and cash equivalents at 31 December	33	**10,305,675**	8,916,014
Net cash flows from operating activities:			
Interest received		**3,606,557**	3,200,642
Interest paid		**1,292,252**	1,041,332
Dividends received		**39,251**	48,215

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

As at and for the year ended 31 December 2017 QAR '000s

1 REPORTING ENTITY

Doha Bank Q. P. S. C. ("Doha Bank" or the "Bank") is an entity domiciled in the State of Qatar and was incorporated on 15 March 1979 as a Joint Stock Company under Emiri Decree No. 51 of 1978. The commercial registration of the Bank is 7115. The address of the Bank's registered office is Doha Bank Tower, Corniche Street, West Bay, P.O. Box 3818, Doha, Qatar.

Doha Bank is engaged in conventional banking activities and operates through its head office in Qatar (Doha) and 27 local branches, six overseas branches in the United Arab Emirates (Dubai & Abu Dhabi), State of Kuwait, the Republic of India (two branches in Mumbai and one branch in Kochi) and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany, Australia, Hong Kong, United Arab Emirates (Sharjah), Canada, Bangladesh and South Africa. The consolidated financial statements for the year ended 31 December 2017 comprise the Bank and its subsidiaries (together referred to as "the Group").

The principal subsidiaries of the Group are as follows:

Company's name	Country of incorporation	Company's capital	Company's activities	Percentage of ownership **2017**	2016
Doha Bank Assurance Company L.L.C.	Qatar	100,000	General Insurance	**100%**	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	**100%**	100%
DB Securities Limited	Cayman Island	182	Derivatives Transactions	**100%**	-

2 BASIS OF PREPARATION

a) Statement of compliance
The consolidated financial statements of the Group ("consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of the Qatar Central Bank ("QCB") regulations.

b) Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, financial assets held for trading and available-for-sale financial assets that have been measured at fair value. In addition, the carrying values of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risk that are being hedged.

c) Functional and presentation currency
These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Group's functional and presentation currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousand.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3 SIGNIFICANT ACCOUNTING POLICIES

a) New and amended standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the IASB and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of 1 January 2017.

The following standards, amendments and interpretations, which became effective as of 1 January 2017, are relevant to the Group:

i) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of (consolidated) financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The adoption of this amendment had no significant impact on the consolidated financial statements.

ii) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference.

The adoption of this standard had no significant impact on the consolidated financial statements.

iii) Annual Improvements to IFRSs 2012–2014 Cycle – various standards

The annual improvements to IFRSs to 2014-2016 cycles include certain amendments to various IFRSs.

Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however; the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

i) IFRS 9 Financial Instruments

The Bank will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information in accordance with applicable Qatar Central Bank (QCB) guidelines. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognizing loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

As at and for the year ended 31 December 2017 QAR '000s

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

i) IFRS 9 Financial Instruments (continued)

The Bank has assessed the estimated impact that the initial application of IFRS 9 will have on its consolidated financial statements as below.

	Retained earnings	Fair value reserve
Closing balance under IAS 39 (31 December 2017)	**1,322,774**	**(67,555)**
Estimated risk reserve transfer on 1 January 2018	1,372,000	-
Impact on reclassification and remeasurements (a) :		
Investment securities (equity) from available-for-sale to those measured at fair value through other comprehensive income (a.1)	157,401	(157,401)
Investment securities (debt) from held to maturity to those measured at fair value through other comprehensive income (a.2)	-	(1,216)
Investment securities (equity) from available-for-sale to those measured at fair value through profit or loss (a.3)	7,546	(7,546)
Investment securities (mutual funds) from available-for-sale to those measured at fair value through profit or loss (a.3)	7,441	(7,441)
Investment securities (debt) from available-for-sale to those measured at amortized cost (a.4)	-	(38)
	172,388	(173,642)
***Impact on recognition of Expected Credit Losses* (b)**		
Expected credit losses for due from banks	(17,179)	-
Expected credit losses from debt securities at amortized cost	(1,418)	
Expected credit losses for debt securities at fair value through other comprehensive income	(10,319)	-
Expected credit losses for loan and advances	(1,305,554)	-
Expected credit losses for off balance sheet exposures subject to credit risk	(344,261)	-
	(1,678,731)	-
Estimated adjusted opening balance under IFRS 9 on date of initial application of 1 January 2018	**1,188,431**	**(241,197)**

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

- IFRS 9 will require the Bank to revise its accounting processes and internal controls and these changes are not yet complete;
- although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period;
- the Bank has not finalized the testing and assessment of controls over its new IT systems and changes to its governance framework;
- the Bank is refining and finalizing its models for ECL calculations; and
- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to re-assessment and changes upon instructions of the regulatory authority.

(a) Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which financial assets are managed and the underlying cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at Amortised Cost (AC), Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit or Loss (FVPL). Under IFRS 9, derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on the Bank's assessment, the new IFRS 9 classification requirements is expected to have a material impact on its accounting for loans, investments in debt securities and investments in equity securities as follows and will be adjusted in the financial statements for the period starting 1 January 2018:

(a.1) At 31 December 2017, the Bank had equity investments classified as available-for-sale with a fair value of QAR 701.6 million that are held for long-term strategic purposes. Under IFRS 9, the Bank has designated these investments as measured at FVOCI. Due to this reclassification, an increase of QAR 157.4 million is estimated in the retained earnings along with a corresponding decrease in fair value reserve due to reclassification of impairment on equity investments measured at fair value through other comprehensive income to the reserves.
(a.2) At 31 December 2017, the Bank had debt investments classified as held-to-maturity with a carrying value of QAR 1,986 million. Under IFRS 9, the Bank has designated these investments as measured at FVOCI based on the business model. Due to this reclassification, a decrease of QAR 1.2 million is estimated in the fair value reserve.
(a.3) At 31 December 2017, the Bank had investments in mutual funds and equity instruments classified as available-for-sale with carrying values of QAR 58.5 million and QAR 122.4 million respectively. Under IFRS 9, the Bank has designated these investments as measured at FVTPL based on the business model. Due to this reclassification, an increase of QAR 15 million is estimated in the retained earnings and equivalent decrease is estimated in fair value reserve.

(a.4) At 31 December 2017, the Bank had debt investments classified as available-for-sale with a carrying value of QAR 670.1 million. Under IFRS 9, the Bank has designated these investments as measured at amortised cost based on the business model. Due to this reclassification, a decrease of QAR 0.04 million is estimated in the fair value reserve.

(b) Expected credit losses
IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments. A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk (SICR);
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Banks of similar financial assets for the purposes of measuring ECL.

(c) Financial liabilities
Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

No significant changes are expected for financial liabilities, other than changes in the fair value of financial liabilities designated at FVTPL that are attributable to changes in the instrument's credit risk, which will be presented in other comprehensive income.
(d) Hedge accounting
IFRS 9's hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.
When initially applying IFRS 9, the Bank has the option to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. However, the Bank determined that all existing hedge relationships that are currently designated in effective hedging relationships would continue to qualify for hedge accounting under IFRS 9. The new hedge accounting requirements under IFRS 9 will not have a material impact on hedge accounting applied by the Bank.
(e) Disclosure
IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Bank's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

i) IFRS 15 Revenue from Contracts with Customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards issued but not yet effective (continued)

ii) IFRS 15 Revenue from Contracts with Customers (continued)
The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

The Group has assessed the impact of IFRS 15 and expects that the standard will have no material effect, when applied, on the consolidated financial statements of the Group.

iii) IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements.

b) Basis of consolidation
The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("the Group") as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

c) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *IAS 39 Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost including transaction costs directly related to acquisition of investment in associate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Associates (continued)

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

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group's share of the results of associates is based on financial statements and adjusted to conform to the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intergroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The consolidated financial statements of the Group include the associate stated below:

Company name	*Country of incorporation and operation*	*Ownership interest %*		*Principal activity*
		2017	*2016*	
Doha Brokerage and Financial Services Limited	India	**44.02%**	44.02%	Brokerage and assets management

e) Foreign currency

Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences resulting from the settlement of foreign currency transactions and arising on translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

f) Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities

i) Recognition and initial measurement
All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

ii) Classification
The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

Financial assets
At inception, a financial asset is classified in one of the following categories:
- loans and receivables;
- held to maturity (HTM);
- available-for-sale (AFS); or
- fair value through profit of loss (FVTPL)

Financial liabilities
The Group has classified and measured its financial liabilities at amortised cost.

iii) Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received including any new asset obtained less any new liability assumed is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iv) Offsetting
Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a currently enforceable legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities (continued)

v) Measurement principles

Amortised cost measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For the financial instruments that are not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value provided by the fund manager.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The fair value of unquoted derivatives is determined by discounted cash flows. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 5.

Identification and measurement of impairment
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Objective evidence that financial assets including equity securities are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment loss for loans and advances to customers and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial assets and financial liabilities (continued)

v) Measurement principles (continued)

Identification and measurement of impairment (continued)

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances to customers.

In assessing collective impairment, the Group uses historical experience and credit rating in addition to the assessed inherent losses which are reflected by the economic and credit conditions for each identified portfolio.

For listed equity investments, generally a significant decline in the market value from cost or for a prolonged period, are considered to be indicators of impairment.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Impairment losses recognised in the consolidated income statement on equity instruments are not recycled through the consolidated income statement. In case of debt instruments, if in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

i) Due from banks and loans and advances to customers

Due from banks and loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Due from banks and loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Write-off of loans and advances to customers

Loans and advances to customers (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. All write- offs of loans and advances to customers are recorded after obtaining approvals from QCB for such write-offs.

j) Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either held-to-maturity, fair value through profit or loss or available-for-sale.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Investment securities (continued)

Fair value through profit or loss
The Group has classified its investments as held for trading where such investments are managed for short-term profit taking or designated certain investments as fair value through profit or loss. Fair value changes on these investments are recognised immediately in profit or loss.

Available-for-sale financial assets
Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Where the fair value is not reliably available, unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in the consolidated income statement.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, where upon the cumulative gains and losses previously recognised in consolidated statement of comprehensive income are reclassified to consolidated income statement.

k) Derivatives
Derivatives held for risk management purposes and hedge accounting
Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be *highly effective* in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss. These hedging relationships are discussed below.

Fair value hedges
When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in consolidated income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to consolidated income statement as part of the recalculated effective interest rate of the item over its remaining life.

Other non-trading derivatives
When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in consolidated income statement.

Derivatives held for trading purposes
The Group's derivative trading instruments includes forward foreign exchange contracts. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

Subsequent costs
The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation
Depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

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

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

Buildings	20 years
Leasehold improvements, furniture and equipment	3-7 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted prospectively, if appropriate.

m) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

p) Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of income any fee income earned over the period, and the best estimate of the expenditure required settling any financial obligation arising as a result of the guarantees at the reporting date.

q) Employee benefits

The Group provides for end of service benefits in accordance with the employment policies of the Group. The provision is calculated on the basis of the individual's final salary and period of service at the reporting date. This provision is included in other provisions within other liabilities.

With respect to Qatari and other GCC employees, the Group makes a contribution to the Qatari Pension Fund calculated on a percentage of the employees' salaries, in accordance with the Retirement and Pension Law No. 24 of 2002. The Group's obligations are limited to these contributions.

r) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

s) Share capital and reserves

i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note.

t) Revenue recognition

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. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available -for-sale and fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liabilities. Interest that is 90 days or more overdue is excluded from income. Interest on impaired loans and advances and other financial assets is not recognised in consolidated statement of income.

Premium on insurance

Premium on insurance contracts are recognized as revenue (earned premiums) proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability on a 1/365 days basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Revenue recognition (continued)

Fees and commission income and expense
Fees and commission income and expense that are integral to the effective interest rate of a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, sales commission and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Income from investment securities
Gains or losses on the sale of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Income from held to maturity investment securities is recognised based on the effective interest rate method.

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

u) Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxes are calculated based on applicable tax laws or regulations in the countries in which the Group operates. The provision for deferred taxation is made based on the evaluation of the expected tax liability. Currently there is no corporate tax applicable to the Bank in the State of Qatar. However, corporate tax is applicable on foreign branches operating outside the State of Qatar and to one subsidiary in the Qatar Financial Center.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

v) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) 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 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.

x) Fiduciary activities
Assets held in a fiduciary capacity are not treated as assets of the Group and accordingly are not part of the consolidated statement of financial position.

y) Repossessed collateral
Repossessed collaterals against settlement of customers' debts are stated within the consolidated statement of financial position under "Other assets" at their carrying value net of allowance for impairment, if any.

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

z) Comparatives
Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

aa) Parent bank financial information
Statement of financial position and income statement of the Parent bank disclosed as Supplementary information, are prepared following the same accounting policies as mentioned above except for investment in subsidiaries, associates which are not consolidated and carried at cost.

4 FINANCIAL RISK MANAGEMENT

a) Introduction and overview
Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The key risks Group is exposed are to credit risk, liquidity risk, operational risk and market risk, which includes trading and non-trading risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies such as the risk management department, internal audit committee, the credit committee, assets and liabilities committee responsible for managing and monitoring those risks.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

As part of its overall risk management, the Group also uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of authority within the Group.

The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits of risks that may be accepted, which are monitored on a daily basis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations in accordance with the agreed terms. Credit risk makes up the largest part of the Group's risk exposure; therefore, the Group carefully manages its exposure to credit risk. Credit risk is attributed to financial instruments such as balance with central banks, due from banks, loans and advances to customers, debt securities and other bills, certain other assets and credit equivalent amounts related to off-balance sheet financial instruments.

Note 10 to the consolidated financial statements disclose the distribution of the loans and advances to customers by economic sectors. Note 4 to the consolidated financial statements disclose the geographical distribution of the Group's credit exposure.

i) Credit risk measurement

All credit policies are reviewed and approved by the Risk Management Department and the Board of Directors. The Risk Management team centrally approves all significant credit facilities and limits for all corporate, treasury and capital markets, financial institutions and SME clients of the Group. Such approvals are carried out in pursuance to a set of delegated Credit authority limits and in accordance with the Group's approved credit policy.

Furthermore, all credit facilities are independently administered and monitored by the Credit Control Department.

The Group further limits risk through diversification of its assets by geography and industry sectors. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The Group also follows the guidelines issued by Qatar Central Bank with regard to the granting of loans which limits exposure to counterparties.

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash, mortgages, local and international equities, financial guarantees and other tangible securities. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

The Group has a credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collaterals. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants.

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Analysis of maximum exposure to credit risk before taking account of collateral held or other credit enhancements

The table below represents credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the statement of financial position, the exposures set out below are based on the net carrying amounts as reported in the consolidated statement of financial position.

	2017	2016
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	**6,161,687**	3,824,450
Due from banks	**7,821,983**	10,505,250
Loans and advances to customers	**59,804,174**	59,186,222
Investment securities – debt	**16,509,641**	13,625,492
Other assets	**669,821**	554,396
Total as at 31 December	**90,967,306**	87,695,810
Other credit risk exposures are as follows:		
Guarantees	**18,380,848**	22,246,187
Letters of credit	**5,958,391**	7,196,260
Unutilised credit facilities	**3,737,358**	3,577,504
Total as at 31 December	**28,076,597**	33,019,951
	119,043,903	120,715,761

As at and for the year ended 31 December 2017 QAR ‘000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Analysis of concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group’s credit exposure based on carrying amounts without taking into account any collateral held or other credit support, as categorized by geographical region. The Group has allocated exposures to regions based on the country of domicile of its counterparties.

	Qatar	**Other GCC**	**Other Middle East**	**Rest of the World**	**2017 Total**
Balances with central banks	**4,279,678**	**1,866,134**	**-**	**15,875**	**6,161,687**
Due from banks	**4,326,023**	**445,895**	**1,403,904**	**1,646,161**	**7,821,983**
Loans and advances to customers	**46,421,475**	**7,234,902**	**1,169,942**	**4,977,855**	**59,804,174**
Investment securities - debt	**13,898,740**	**1,487,632**	**-**	**1,123,269**	**16,509,641**
Other assets	**635,667**	**8,472**	**-**	**25,682**	**669,821**
	69,561,583	**11,043,035**	**2,573,846**	**7,788,842**	**90,967,306**

	Qatar	Other GCC	Other Middle East	Rest of the World	2016 Total
Balances with central banks	2,319,749	1,385,028	-	119,673	3,824,450
Due from banks	4,396,420	2,396,738	696,609	3,015,483	10,505,250
Loans and advances to customers	43,900,118	9,576,525	820,061	4,889,518	59,186,222
Investment securities - debt	11,436,573	1,714,345	1,812	472,762	13,625,492
Other assets	492,743	13,923	1,525	46,205	554,396
	62,545,603	15,086,559	1,520,007	8,543,641	87,695,810

	Qatar	**Other GCC**	**Other Middle East**	**Rest of the World**	**2017 Total**
Guarantees	**10,112,460**	**3,467,079**	**311,331**	**4,489,978**	**18,380,848**
Letters of credit	**5,009,036**	**129,235**	**358,342**	**461,778**	**5,958,391**
Unutilised credit facilities	**2,998,508**	**622,215**	**-**	**116,635**	**3,737,358**
	18,120,004	**4,218,529**	**669,673**	**5,068,391**	**28,076,597**

	Qatar	*Other GCC*	*Other Middle East*	*Rest of the World*	*2016 Total*
Guarantees	12,455,861	4,674,749	182,969	4,932,608	22,246,187
Letters of credit	5,459,057	276,249	130,304	1,330,650	7,196,260
Unutilised credit facilities	2,727,640	724,758	-	125,106	3,577,504
	20,642,558	5,675,756	313,273	6,388,364	33,019,951

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Analysis of concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors
The following table breaks down the Group's credit exposure based on the carrying amounts, before taking into account collateral held or other credit enhancements, as categorized by the industry sectors of the Group's counterparties.

	Gross exposure 2017	Gross exposure 2016
Funded and unfunded		
Government and related agencies	**23,966,226**	20,491,337
Industry	**842,863**	1,981,446
Commercial	**11,091,291**	9,300,278
Services	**17,503,016**	20,129,988
Contracting	**10,455,938**	10,287,927
Real estate	**17,457,955**	13,897,943
Personal	**8,430,725**	10,400,778
Others	**1,219,292**	1,206,113
Guarantees	**18,380,848**	22,246,187
Letters of credit	**5,958,391**	7,196,260
Unutilised credit facilities	**3,737,358**	3,577,504
	119,043,903	120,715,761

iv) Credit risk exposure
The tables below presents an analysis of financial assets by rating agency designation based on ratings published by external rating agencies:

	2017	2016
Equivalent grades		
Sovereign (State of Qatar)	**23,063,033**	20,201,854
AAA to AA-	**4,562,335**	3,581,667
A+ to A-	**10,406,989**	11,970,506
BBB+ to BBB-	**3,096,070**	3,562,554
BB+ to B-	**1,934,023**	1,495,400
Below B-	**82,381**	469,757
Unrated (equivalent internal grading)	**75,899,072**	79,434,023
	119,043,903	120,715,761

Unrated exposure represents credit facilities granted to corporations and individuals who do not have external credit ratings. Also, the equivalent internal ratings used by the Group are in line with the ratings and definitions published by the international rating agencies.

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

v) Credit quality for class of assets

The table below shows the credit quality by class of asset for consolidated statement of financial position lines, based on the Group's credit rating system.

	Loans and advances to customers		Due from banks		Investment securities - debt	
	2017	2016	**2017**	2016	**2017**	2016
Neither past due nor impaired (low risk):						
Standard monitoring	**52,265,262**	54,262,221	**7,821,983**	10,505,250	**16,482,565**	13,600,441
Special monitoring	**-**	90,198		-	**-**	-
	52,265,262	54,352,419	**7,821,983**	10,505,250	**16,482,565**	13,600,441
Past due but not impaired						
Standard monitoring	**5,925,997**	2,347,074	-	-		-
Special monitoring	**2,172,198**	2,883,666	-	-		-
	8,098,195	5,230,740	-	-		-
Impaired						
Substandard	**296,944**	327,954	-	-	**42,857**	39,245
Doubtful	**350,832**	288,082	-	-		
Loss	**1,610,914**	1,396,266	-	-		
	2,258,690	2,012,302	-	-	**42,857**	39,245
Less: Impairment allowance-specific	**(2,706,410)**	(2,282,717)	-	-	**(15,781)**	(14,194)
Less: Impairment allowance-collective	**(111,563)**	(126,522)	-	-		-
	(2,817,973)	(2,409,239)	-	-	**(15,781)**	(14,194)
Carrying amount – net	**59,804,174**	59,186,222	**7,821,983**	10,505,250	**16,509,641**	13,625,492
Investment securities - debt						
Held to maturity	-	-	-	-	**5,708,651**	6,405,787
Held for trading	-	-	-	-	**-**	5,657
Available for sale	-	-	-	-	**10,816,771**	7,228,242
Less: Impairment allowance	-	-	-	-	**(15,781)**	(14,194)
Carrying amount – net	-	-	-	-	**16,509,641**	13,625,492
Total carrying amount	**59,804,174**	59,186,222	**7,821,983**	10,505,250	**16,509,641**	13,625,492

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

v) Credit quality for class of assets (continued)

Impaired loans and advances to customers and investment in debt securities
Individually impaired loans and advances to customers and investment debt securities for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreements.

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

	2017	2016
Up to 30 days	**1,492,349**	766,042
31 to 60 days	**1,716,215**	871,716
61 to 90 days	**4,889,631**	3,592,982
Gross	**8,098,195**	5,230,740

Rescheduled loans and advances to customers
Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loans.

Collateral
The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indexes of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against the past dues loans and advances to customers.

The aggregate collateral in respect to the past due but not impaired loans are QAR 10,582 million as of 31 December 2017 (2016: QAR 6,943 million).

The aggregate collateral in respect to the loans and advances to customers are QAR 57,205 million as of 31 December 2017 (2016: QAR 46,913 million).

Repossessed collateral
The group has acquired properties held as collateral in settlement of debt of carrying value of QAR 134 million as at 31 December 2017 (2016: Nil).

Write-off policy
The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB approval.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions are generally based on a product-specific past due status. The amount written off during the year was QAR 394 million (2016: QAR 315 million).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind, in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities.

i) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers during the year were as follows:

	2017	2016
Average for the year	**102.50%**	95.50%
Maximum for the year	**122.67%**	104.90%
Minimum for the year	**86.12%**	87.14%

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on contractual maturity dates. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date, and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The Group routinely monitors assets and liabilities maturity profiles to ensure adequate liquidity is maintained.

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	Above 1 year	Undated
31 December 2017							
Cash and balances with central banks	6,669,609	4,380,783	-	-	4,380,783	-	2,288,826
Due from banks	7,821,983	4,241,565	1,752,628	1,028,494	7,022,687	799,296	-
Loans and advances to customers	59,804,174	7,500,295	2,897,038	6,062,788	16,460,121	43,344,053	-
Investment securities	17,512,610	131,765	620,939	2,959,754	3,712,458	12,809,223	990,929
Investment in an associate	11,126	-	-	-	-	-	11,126
Property, furniture and equipment	708,580	-	-	-	-	-	708,580
Other assets	967,199	967,199	-	-	967,199	-	-
Total	93,495,281	17,221,607	5,270,605	10,051,036	32,543,248	56,952,572	3,999,461
Due to banks	11,005,061	5,575,610	2,330,768	2,162,168	10,068,546	936,515	-
Customer deposits	59,468,326	23,041,228	18,790,178	13,451,078	55,282,484	4,185,842	-
Debt securities	657,669	-	-	96,947	96,947	560,722	-
Other borrowings	5,432,936	-	145,252	2,582,369	2,727,621	2,705,315	-
Other liabilities	2,124,292	2,124,292	-	-	2,124,292	-	-
Total equity	14,806,997	-	-	-	-	-	14,806,997
Total	93,495,281	30,741,130	21,266,198	18,292,562	70,299,890	8,388,394	14,806,997
Maturity gap	-	(13,519,523)	(15,995,593)	(8,241,526)	(37,756,642)	48,564,178	(10,807,536)

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	Above 1 year	Undated
31 December 2016							
Cash and balances with central banks	4,260,410	2,222,898	-	-	2,222,898	-	2,037,512
Due from banks	10,505,250	5,943,514	749,601	956,616	7,649,731	2,855,519	-
Loans and advances to customers	59,186,222	10,533,174	2,965,159	7,539,618	21,037,951	38,148,271	-
Investment securities	14,706,110	1,909,720	511,456	525,009	2,946,185	10,679,307	1,080,618
Investment in an associate	10,343	-	-	-	-	-	10,343
Property, furniture and equipment	770,845	-	-	-	-	-	770,845
Other assets	925,769	925,769	-	-	925,769	-	-
Total	90,364,949	21,535,075	4,226,216	9,021,243	34,782,534	51,683,097	3,899,318
Due to banks	12,275,336	8,421,017	3,036,060	619,055	12,076,132	199,204	-
Customer deposits	55,729,950	22,226,469	14,754,528	17,337,454	54,318,451	1,411,499	-
Debt securities	1,819,598	-	1,819,598	-	1,819,598	-	-
Other borrowings	4,994,474	-	364,150	2,928,876	3,293,026	1,701,448	-
Other liabilities	2,165,056	2,165,056	-	-	2,165,056	-	-
Total equity	13,380,535	-	-	-	-	-	13,380,535
Total	90,364,949	32,812,542	19,974,336	20,885,385	73,672,263	3,312,151	13,380,535
Maturity gap	-	(11,277,467)	(15,748,120)	(11,864,142)	(38,889,729)	48,370,946	(9,481,217)

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises contractual expiry dates of the Group's contingent liabilities:

	Carrying amount	**Up to 3 months**	**3 months – 1 year**	**1-5 years**	**Above 5 years**
31 December 2017					
Guarantees	**18,380,848**	**5,374,261**	**6,397,523**	**6,438,060**	**171,004**
Letters of credit	**5,958,391**	**1,326,526**	**4,622,253**	**9,112**	**500**
Unutilised credit facilities	**3,737,358**	**429,823**	**1,677,178**	**1,463,364**	**166,993**
Total	**28,076,597**	**7,130,610**	**12,696,954**	**7,910,536**	**338,497**
31 December 2016					
Guarantees	22,246,187	6,097,173	8,136,881	7,847,552	164,581
Letters of credit	7,196,260	1,506,415	1,036,875	72,292	4,580,678
Unutilised credit facilities	3,577,504	705,170	2,073,448	495,662	303,224
Total	33,019,951	8,308,758	11,247,204	8,415,506	5,048,483

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises the maturity profile of the Group's financial liabilities and derivatives at 31 December based on contractual undiscounted repayment obligations:

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
31 December 2017							
Non-derivative financial liabilities							
Due to banks	11,005,061	11,022,022	5,578,969	2,333,779	2,162,380	943,841	3,053
Customer deposits	59,468,326	59,751,373	23,057,949	18,848,642	13,590,750	4,254,032	-
Debt securities	657,669	678,341	-	-	97,428	580,913	-
Other borrowings	5,432,936	5,585,480	-	150,615	2,634,227	2,800,638	-
Other liabilities	2,076,793	2,076,793	2,076,793	-	-	-	-
Total liabilities	78,640,785	79,114,009	30,713,711	21,333,036	18,484,785	8,579,424	3,053

Derivative financial instruments:
Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

	Total	Up to 1 year	1 - 5 years	More than 5 years
Derivative financial instruments:				
Outflow	(7,111,781)	(7,111,781)	-	-
Inflow	7,194,020	7,194,020	-	-

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

i) Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
31 December 2016							
Non-derivative financial liabilities							
Due to banks	12,275,336	12,301,844	8,429,774	3,045,531	624,849	201,690	-
Customer deposits	55,729,950	56,007,999	22,240,996	14,795,865	17,503,288	1,467,850	-
Debt securities	1,819,598	1,832,520	-	1,832,520	-	-	-
Other borrowings	4,994,474	5,120,105	-	387,392	2,988,799	1,743,914	-
Other liabilities	2,136,080	2,136,080	2,136,080	-	-	-	-
Total liabilities	76,955,438	77,398,548	32,806,850	20,061,308	21,116,936	3,413,454	-

Derivative financial instruments:
Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

	Total	Up to 1 year	1 - 5 years	More than 5 years
Derivative financial instruments:				
Outflow	(30,716,511)	(30,716,511)	-	-
Inflow	30,748,829	30,748,829	-	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by Market Risk team. Regular reports are submitted to the Board of Directors and ALCO.

i) Management of market risks

Overall authority for market risk is vested in ALCO. Financial Risk Management department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day review and monitoring.

The Group has adopted a detailed policy framework drafted in accordance with the Qatar Central Bank guidelines for governing investments portfolio including proprietary book. The governance structure includes policies including Treasury and Investment manual, Financial Risk policy and Hedging policy, etc. These policies define the limit structure along with the risk appetite under which the investment activities are undertaken. The limits structure focuses on total investment limits which in accordance with QCB guidelines are 70% of Group's capital and reserves along with various sub limits such as position and stop loss limits for trading activities. The policies also define various structured sensitivity limits such as VaR and duration for different asset classes within the investment portfolio. The performance of the portfolio against these limits is updated regularly to senior management including ALCO and investment committee.

Investment Committee approve all the investment decision for the Group. Financial Risk Management department is vested with the responsibility of measuring, monitoring risk and reporting risk in the portfolio.

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

ii) Exposure to interest rate risk

The principal risk to which the banking and trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group Treasury in its day-to-day monitoring activities.

A summary of the Group's interest rate gap position on banking and trading portfolios is as follows:

	Repricing in:				
	Carrying amount	Less than 3 months	3-12 months	Above 1 year	Non-interest sensitive
31 December 2017					
Cash and cash equivalents	6,669,609	1,811,200	-	-	4,858,409
Due from banks	7,821,983	6,859,593	331,611	-	630,779
Loans and advances to customers	59,804,174	57,018,060	224,905	78,643	2,482,566
Investment securities	17,512,610	752,759	2,960,240	12,808,682	990,929
Investment in an associate	11,126	-	-	-	11,126
Property, furniture and equipment	708,580	-	-	-	708,580
Other assets	967,199	-	-	-	967,199
Total	93,495,281	66,441,612	3,516,756	12,887,325	10,649,588
Due to banks	11,005,061	6,704,202	3,971,888	187,852	141,119
Customer deposits	59,468,326	44,630,023	13,249,203	1,589,100	-
Debt securities	657,669	-	96,947	560,722	-
Other borrowings	5,432,936	5,432,936	-	-	-
Other liabilities	2,124,292	-	-	-	2,124,292
Total equity	14,806,997	-	-	-	14,806,997
Total	93,495,281	56,767,161	17,318,038	2,337,674	17,072,408
Interest rate sensitivity gap	-	9,674,451	(13,801,282)	10,549,651	(6,422,820)
Cumulative interest rate sensitivity gap	-	9,674,451	(4,126,831)	6,422,820	-

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

ii) Exposure to interest rate risk (continued)

		Repricing in:			
	Carrying amount	Less than 3 months	3-12 months	Above 1 year	Non-interest sensitive
31 December 2016					
Cash and cash equivalents	4,260,410	449,916	70,969	-	3,739,525
Due from banks	10,505,250	8,626,205	1,588,272	-	290,773
Loans and advances to customers	59,186,222	56,365,664	335,657	164,612	2,320,289
Investment securities	14,706,110	904,644	454,039	12,266,809	1,080,618
Investment in an associate	10,343	-	-	-	10,343
Property, furniture and equipment	770,845	-	-	-	770,845
Other assets	925,769	-	-	-	925,769
Total	90,364,949	66,346,429	2,448,937	12,431,421	9,138,162
Due to banks	12,275,336	9,970,519	2,025,252	71,498	208,067
Customer deposits	55,729,950	38,173,092	16,153,845	1,403,013	-
Debt securities	1,819,598	1,819,598	-	-	-
Other borrowings	4,994,474	4,994,474	-	-	-
Other liabilities	2,165,056	-	-	-	2,165,056
Total equity	13,380,535	-	-	-	13,380,535
Total	90,364,949	54,957,683	18,179,097	1,474,511	15,753,658
Interest rate sensitivity gap	-	11,388,746	(15,730,160)	10,956,910	(6,615,496)
Cumulative interest rate sensitivity gap	-	11,388,746	(4,341,414)	6,615,496	-

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risk (continued)

ii) Exposure to interest rate risk (continued)

Sensitivity analysis
The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bp) parallel fall or rise in all yield curves worldwide and a 10 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	10 bp parallel increase	**10 bp parallel decrease**
Sensitivity of net interest income		
2017		
At 31 December	**(6,154)**	**6,154**
2016		
At 31 December	(5,673)	5,673

	10 bp parallel increase	**10 bp parallel decrease**
Sensitivity of reported equity to interest rate movements		
2017		
At 31 December	**(31,720)**	**31,720**
2016		
At 31 December	(27,285)	27,285

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

iii) Exposure to other market risks

Currency risk
The Group is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intra-day positions, which are monitored daily. The Group had the following significant net exposures:

	2017	2016
Net foreign currency exposure:		
Pound Sterling	**156,510**	16,193
Euro	**49,022**	1,133
Kuwaiti Dinar	**3,073**	39,415
Japanese Yen	**1,257**	230
Other currencies	**3,551,605**	820,807

Foreign currency sensitivity analysis
The following table details the Group's sensitivity to a percentage increase or decrease in the Qatari Riyals against the relevant foreign currencies except for US Dollars which is pegged to the Qatari Riyal. The sensitivity analysis includes only outstanding foreign currency denominated items and the impact of a change in the exchange rates are as follows:

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risk (continued)

iii) Exposure to other market risks (continued)

	Increase / (decrease) in profit or loss	
	2017	2016
5% increase / (decrease) in currency exchange rate		
Pound Sterling	**7,826**	810
Euro	**2,451**	57
Kuwaiti Dinar	**154**	1,971
Japanese Yen	**63**	11
Other currencies	**177,580**	41,040

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The equity price risk exposure arises from equity securities classified as available-for-sale and fair value through profit or loss.

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

	2017		2016	
	Effect on OCI	**Effect on income statement**	Effect on OCI	Effect on income statement
5% increase / (decrease) in Qatar Exchange	**± 24,442**	**-**	± 31,016	-
5% increase / (decrease) in Other than Qatar Exchange	**± 4,641**	**-**	± 17,193	-
	± 29,083	**-**	± 48,209	-

The above analysis has been prepared on the assumption that all other variables such as interest rate, foreign exchange rate, etc. are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

e) Operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Group has detailed policies and procedures that are regularly updated to ensure a robust internal control mechanism. The Group closely reviews the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation. The Group continues to invest in risk management and mitigation strategies, such as a robust control infrastructure, business continuity management or through risk transfer mechanisms such as insurance and outsourcing.

The Group has a well-defined Operational Risk Management Framework and an independent operational risk function. The Operational Risk Management Committee oversees the implementation of an effective risk management framework that encompasses appropriate systems, practices, policies and procedures to ensure the effectiveness of risk identification, measurement, assessment, reporting and monitoring within the group.

In addition, the Internal Audit department carries out an independent assessment and provides assurance of the actual functioning of the overall Operational Risk Management Framework.

The Group manages operational risk based on a framework that enables the determination of operational risk profile of business units and how it relates to risk measurement, risk mitigation and priorities.

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Operational risks (continued)

A number of techniques are applied to effectively manage the operational risk across the Group. These include:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, introduction process of new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by the Group to manage Group-wide operational risk;

- Reporting of any operational risk event, which is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are analyzed, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors; and

- Introduction of a bottom-up 'Control Risk Self-Assessment' across business and support units including subsidiaries and overseas branches. This approach results in detailed understanding of inherent and residual risks with evaluation of controls across the Group. Therefore, it enhances the determination of specific operational risk profile for the business and support units while corrective action points are captured and the changes of the operational risk profile are monitored on an ongoing basis.

f) Capital management

Regulatory capital

The Group maintains an actively managed capital base to cover the risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Qatar Central Bank.

The primary objective of the Group's capital management is to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximizes shareholders' value.

The Group manages its capital structure and makes adjustment to it in 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 shareholders or issue capital securities.

	2017	2016
Common Equity Tier 1 Capital	**9,700,840**	8,247,923
Additional Tier 1 Capital	**4,000,000**	4,000,000
Additional Tier 2 Capital	**111,564**	126,522
Total Eligible Capital	**13,812,404**	12,374,445

Risk weighted assets

	2017 Basel III Risk weighted amount	2016 Basel III Risk weighted amount
Total risk weighted assets for credit risk	**72,260,750**	72,201,446
Risk weighted assets for market risk	**1,350,948**	2,275,992
Risk weighted assets for operational risk	**5,274,077**	4,993,761
	78,885,775	79,471,199

As at and for the year ended 31 December 2017 QAR '000s

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Capital management (continued)

Risk weighted assets (continued)

	2017	2016
Risk weighted assets	**78,885,775**	79,471,199
Total eligible capital	**13,812,404**	12,374,445
Risk weighted assets as a percentage of total eligible capital		
Capital adequacy ratio	**17.51%**	15.57%

The Bank has followed QCB Basel III capital adequacy ratio ("CAR") with effect from 1 January 2014 in accordance with QCB regulations.

The minimum accepted CAR under QCB Basel III requirements are as follows:

- Minimum limit without Capital Conservation Buffer is 10%
- Minimum limit including Capital Conservation Buffer is 12.75%

The adoption of IFRS 9 on 1 January 2018 is not expected to have a material impact on the total eligible capital based on guidance regulatory guidance to date.

5 USE OF ESTIMATES AND JUDGEMENTS

a) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Impairment allowances for credit losses

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

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

The Bank reviews its loan portfolio to consolidate impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

a) Key sources of estimation uncertainty (continued)

ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

b) Critical accounting judgements in applying the Group's accounting policies

i) Valuation of financial instruments

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

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

- Level 1: Quoted market price unadjusted in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

As at and for the year ended 31 December 2017 QAR '000s

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

b) Critical accounting judgements in applying the Group's accounting policies (continued)

ii) Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2017:

	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Available-for-sale investment securities	31 Dec 2017	11,216,316	549,509	-	11,765,825
Derivative instruments:					
Interest rate swaps	31 Dec 2017	-	59,610	-	59,610
Forward foreign exchange contracts	31 Dec 2017	-	102,253	-	102,253
		11,216,316	711,372	-	11,927,688
Assets for which fair values are disclosed (note 7)					
Cash and balances with central banks	31 Dec 2017	-	-	6,669,609	6,669,609
Due from banks	31 Dec 2017	-	-	7,821,983	7,821,983
Loans and advances to customers	31 Dec 2017	-	-	59,804,174	59,804,174
Held to maturity investment securities	31 Dec 2017	3,232,502	2,475,331	-	5,707,833
Other Assets	31 Dec 2017	-	-	669,821	669,821
Liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2017	-	27,485	-	27,485
Forward foreign exchange contracts	31 Dec 2017	-	20,014	-	20,014
		-	47,499	-	47,499
Liabilities for which fair values are disclosed (note 7)					
Due to banks	31 Dec 2017	-	11,005,061	-	11,005,061
Customer deposits	31 Dec 2017	-	59,468,326	-	59,468,326
Debt securities	31 Dec 2017	657,669	-	-	657,669
Other borrowings	31 Dec 2017	-	5,432,936	-	5,432,936
Other liabilities	31 Dec 2017	-	1,364,771	-	1,364,771

There have been no transfers between Level 1, level 2 and Level 3 fair value measurement during the year.

As at and for the year ended 31 December 2017 QAR '000s

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

b) Critical accounting judgements in applying the Group's accounting policies (continued)
ii) Fair value measurement (continued)
Fair value hierarchy for financial instruments measured at fair value as at 31 December 2016:

	Date of valuation	Level 1	Level 2	Level 3	Total
Assets measured at fair value:					
Available-for-sale investment securities	31 Dec 2016	6,597,526	1,652,081	-	8,249,607
Investment securities classified as held for trading	31 Dec 2016	5,657	-	-	5,657
Derivative instruments:					
Interest rate swaps	31 Dec 2016	-	55,601	-	55,601
Forward foreign exchange contracts	31 Dec 2016	-	52,145	-	52,145
		6,603,183	1,759,827	-	8,363,010
Assets for which fair values are disclosed (note 7)					
Cash and balances with central banks	31 Dec 2016	-	-	4,260,410	4,260,410
Due from banks	31 Dec 2016	-	-	10,505,250	10,505,250
Loans and advances to customers	31 Dec 2016	-	-	59,186,222	59,186,222
Held to maturity investment securities	31 Dec 2016	3,819,815	2,672,725	-	6,492,540
Other Assets	31 Dec 2016	-	-	554,396	554,396
Liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2016	-	9,149	-	9,149
Forward foreign exchange contracts	31 Dec 2016	-	19,827	-	19,827
		-	28,976	-	28,976
Liabilities for which fair values are disclosed (note 7)					
Due to banks	31 Dec 2016	-	12,275,336	-	12,275,336
Customer deposits	31 Dec 2016	-	55,729,950	-	55,729,950
Debt securities	31 Dec 2016	1,819,598	-	-	1,819,598
Other borrowings	31 Dec 2016	-	4,994,474	-	4,994,474
Other liabilities	31 Dec 2016	-	1,458,503	-	1,458,503

During the reporting period 31 December 2016, there were no transfers between Level 1 and Level 3 fair value measurements.

Available for sale equity investments amounting to QAR 52.3 million (2016: QAR 59.3 million) are recorded at cost since the fair value cannot be reliably measured.

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

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.
- in classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policies.

Details of the Group's classification of financial assets and liabilities are given in Note 7.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

iv) Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as fair value hedges, the Group has determined that the hedged interest rate exposure relates to highly probable future cash flows.

v) Impairment of investments in equity and debt securities

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

vi) Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

vii) Useful lives of property and equipment

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

6 OPERATING SEGMENTS

The Group organizes and manages its operations by two business segments, which comprise conventional banking and insurance activities.

Conventional Banking

- Corporate Banking provides a range of product and service offerings to business and corporate customers including funded and non-funded credit facilitates deposits to corporate customers. It also undertakes funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Retail Banking provides a diversified range of products and services to individuals. The range includes loans, credit cards, deposits and other transactions with retail customers.

Insurance Activities

Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance, arranging deals in investments and advising on investments.

As at and for the year ended 31 December 2017 QAR '000s

6 OPERATING SEGMENTS (CONTINUED)

a) By operating segment

Details of each segment as of and for the year ended 31 December 2017 are stated below:

	2017					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Interest income	3,250,115	380,738	-	3,630,853	-	3,630,853
Net income from insurance activities	-	-	-	-	7,202	7,202
Other income	382,774	228,807	64,474	676,055	7,112	683,167
Segmental revenue	3,632,889	609,545	64,474	4,306,908	14,314	4,321,222
Net impairment loss on loans and advances to customers	(490,296)	(102,245)	-	(592,541)	-	(592,541)
Impairment loss on investment securities	(142,067)	-	-	(142,067)	-	(142,067)
Segmental profit				1,109,493	423	1,109,916
Share of results of the associate						158
Net profit for the year						1,110,074
Other information						
Assets	78,699,654	6,452,639	8,082,441	93,234,734	249,421	93,484,155
Investments in an associate						11,126
Total						93,495,281
Liabilities	68,614,334	9,065,643	913,438	78,593,415	94,869	78,688,284
Contingent items	28,028,028	48,569	-	28,076,597	-	28,076,597

As at and for the year ended 31 December 2017 QAR '000s

6 OPERATING SEGMENTS (CONTINUED)

a) By operating segment

	2016					
	Corporate Banking	Retail Banking	Unallocated	Total	Insurance	Total
Interest/similar income	2,776,038	392,957	-	3,168,995	-	3,168,995
Net income from insurance activities	-	-	-	-	8,024	8,024
Other income	452,121	158,228	54,874	665,223	7,265	672,488
Segmental revenue	3,228,159	551,185	54,874	3,834,218	15,289	3,849,507
Net impairment loss on loans and advances to customers	(407,216)	(73,008)	-	(480,224)	-	(480,224)
Impairment loss on investment securities	(138,771)	-	-	(138,771)	(728)	(139,499)
Segmental profit				1,050,765	3,062	1,053,827
Share of results of the associate						(46)
Net profit for the year						1,053,781
Other information						
Assets	78,461,105	6,970,182	4,657,665	90,088,952	265,654	90,354,606
Investments in an associate	-	-	-	-	-	10,343
Total						90,364,949
Liabilities	65,790,217	10,404,519	679,716	76,874,452	109,962	76,984,414
Contingent items	32,881,346	138,605	-	33,019,951	-	33,019,951

As at and for the year ended 31 December 2017 QAR '000s

6 OPERATING SEGMENTS (CONTINUED)

b) Geographical areas

The following table shows the geographic distribution of the Group's operating income based on the geographical location of where the business is booked by the Group.

	Qatar	Other GCC	India	Total
2017				
Net operating income	**2,633,167**	**295,275**	**17,398**	**2,945,840**
Net profit	**1,134,303**	**(15,286)**	**(8,943)**	**1,110,074**
Total assets	**84,640,595**	**8,329,454**	**525,232**	**93,495,281**
Total liabilities	**71,203,556**	**7,129,544**	**355,184**	**78,688,284**
2016				
Net operating income	2,424,359	290,870	25,929	2,741,158
Net profit	1,081,566	(33,909)	6,124	1,053,781
Total assets	80,021,671	9,721,550	621,728	90,364,949
Total liabilities	68,015,770	8,516,098	452,546	76,984,414

As at and for the year ended 31 December 2017 QAR '000s

7 FINANCIAL ASSETS AND LIABILITIES

a) Accounting classifications and fair values

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

31 December 2017	Fair value through profit or loss	Held to maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and balances with central banks	-	-	6,669,609	-	-	6,669,609	6,669,609
Due from banks	-	-	7,821,983	-	-	7,821,983	7,821,983
Positive fair value of derivatives	161,863					161,863	161,863
Loans and advances to customers	-	-	59,804,174	-	-	59,804,174	59,804,174
Investment securities:							
Measured at fair value	-	-	-	11,818,154	-	11,818,154	11,818,154
Measured at amortised cost	-	5,694,456	-	-	-	5,694,456	5,707,833
Other assets	-	-	-	-	507,958	507,958	507,958
	161,863	5,694,456	74,295,766	11,818,154	507,958	92,478,197	92,491,574
Negative fair value of derivatives	47,499					47,499	47,499
Due to banks	-	-	-	-	11,005,061	11,005,061	11,005,061
Customer deposits	-	-	-	-	59,468,326	59,468,326	59,468,326
Debt securities	-	-	-	-	657,669	657,669	657,669
Other borrowings	-	-	-	-	5,432,936	5,432,936	5,432,936
Other liabilities	-	-	-	-	1,364,771	1,364,771	1,364,771
	47,499	-	-	-	77,928,763	77,976,262	77,976,262

As at and for the year ended 31 December 2017 QAR '000s

7 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

a) Accounting classifications and fair values (continued)

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

31 December 2016	Fair value through profit or loss	Held to maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and balances with central banks	-	-	4,260,410	-	-	4,260,410	4,260,410
Due from banks	-	-	10,505,250	-	-	10,505,250	10,505,250
Positive fair value of derivatives	107,746					107,746	107,746
Loans and advances to customers	-	-	59,186,222	-	-	59,186,222	59,186,222
Investment securities:							
Measured at fair value	5,657	-	-	8,308,860	-	8,314,517	8,314,517
Measured at amortised cost	-	6,391,593	-	-	-	6,391,593	6,492,540
Other assets	-	-	-	-	554,396	554,396	554,396
	113,403	6,391,593	73,951,882	8,308,860	554,396	89,320,134	89,421,081
Negative fair value of derivatives	28,976	-	-	-	-	28,976	28,976
Due to banks	-	-	-	-	12,275,336	12,275,336	12,275,336
Customer deposits	-	-	-	-	55,729,950	55,729,950	55,729,950
Debt securities	-	-	-	-	1,819,598	1,819,598	1,819,598
Other borrowings	-	-	-	-	4,994,474	4,994,474	4,994,474
Other liabilities	-	-	-	-	1,458,503	1,458,503	1,458,503
	28,976	-	-	-	76,277,861	76,306,837	76,306,837

Investment securities – unquoted equity securities at cost

The above table includes to QAR 52.3 million (2016: QAR 59.3 million) at 31 December 2017 of unquoted equity investments in both the carrying amount and fair value columns that were measured at cost and for which disclosure of fair value was not provided because their fair value was not considered to be reliably measureable.

As at and for the year ended 31 December 2017 QAR '000s

8 CASH AND BALANCES WITH CENTRAL BANKS

	2017	2016
Cash	**507,922**	435,960
Cash reserve with QCB*	**2,227,944**	1,926,658
Cash reserve with other central banks*	**60,882**	110,854
Other balances with central banks	**3,872,861**	1,786,938
	6,669,609	4,260,410

*Cash reserve with QCB and other central banks are mandatory reserves that are not available for use in the Group's day to day operations.

9 DUE FROM BANKS

	2017	2016
Current accounts	**610,761**	1,331,053
Placements	**3,941,114**	5,124,797
Loans to banks	**3,270,108**	4,049,400
	7,821,983	10,505,250

10 LOANS AND ADVANCES TO CUSTOMERS

a) By type

	2017	2016
Loans	**56,027,009**	54,456,707
Overdrafts	**5,588,715**	5,903,930
Bills discounted	**443,389**	520,874
Other loans*	**584,501**	715,293
(Note-i)	**62,643,614**	61,596,804
Less :		
Deferred profit	**(21,467)**	(1,343)
Specific impairment of loans and advances to customers	**(2,706,410)**	(2,282,717)
Collective impairment allowance	**(111,563)**	(126,522)
Net loans and advances to customers	**59,804,174**	59,186,222

As at and for the year ended 31 December 2017 QAR '000s

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

a) By type

The aggregate amount of non-performing loans and advances to customers amounted QAR 2,258.7 million, which represents 3.61 % of total loans and advances to customers (2016: QAR 2,012.3 million, 3.27% of total loans and advances to customers).

During the year, the Group has written-off fully provided non-performing loans amounting to QAR 194 million (2016: QAR 290.7) as per Qatar Central Bank circular no. 68/2011.

Specific impairment of loans and advances to customers includes QAR 451 million of interest in suspense (2016: QAR 457 million).

*This includes acceptances pertaining to trade finance amounting to QAR 224 million (2016: QAR 308 million).

Note-i:

	2017	2016
Government and related agencies	**3,535,924**	4,906,445
Corporate	**50,232,365**	45,826,545
Retail	**8,875,325**	10,863,814
	62,643,614	61,596,804

b) By industry

At 31 December 2017	**Loans**	**Overdrafts**	**Bills discounted**	**Other loans**	**Total**
Government and related agencies	**1,357,833**	**2,178,091**	**-**	**-**	**3,535,924**
Non-banking financial institutions	**1,589,511**	**-**	**-**	**5,123**	**1,594,634**
Industry	**603,026**	**20,990**	**31,141**	**93,217**	**748,374**
Commercial	**10,480,480**	**906,795**	**147,383**	**111,885**	**11,646,543**
Services	**5,885,439**	**313,004**	**170,074**	**-**	**6,368,517**
Contracting	**9,527,115**	**1,095,701**	**31,992**	**324,575**	**10,979,383**
Real estate	**17,871,715**	**416,432**	**17,851**	**11,938**	**18,317,936**
Personal	**8,361,916**	**504,333**	**9,076**	**-**	**8,875,325**
Others	**349,974**	**153,369**	**35,872**	**37,763**	**576,978**
	56,027,009	**5,588,715**	**443,389**	**584,501**	**62,643,614**
Less: Deferred profit					**(21,467)**
Specific impairment of loans and advances to customers					**(2,706,410)**
Collective impairment allowance					**(111,563)**
					59,804,174

As at and for the year ended 31 December 2017 QAR '000s

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

b) By industry (continued)

At 31 December 2016	Loans	Overdrafts	Bills discounted	Other loans	Total
Government and related agencies	2,359,726	2,546,719	-	-	4,906,445
Non-banking financial institutions	1,750,013	-	-	-	1,750,013
Industry	1,551,236	53,450	67,707	17,278	1,689,671
Commercial	8,290,573	961,795	145,951	273,710	9,672,029
Services	6,352,930	249,268	161,080	11,564	6,774,842
Contracting	9,090,955	1,248,194	95,194	310,208	10,744,551
Real estate	14,147,652	315,635	40,013	11,496	14,514,796
Personal	10,320,926	462,389	7,823	72,676	10,863,814
Others	592,696	66,480	3,106	18,361	680,643
	54,456,707	5,903,930	520,874	715,293	61,596,804
Less: Deferred profit					(1,343)
Specific impairment of loans and advances to customers					(2,282,717)
Collective impairment allowance					(126,522)
					59,186,222

c) Movement in impairment loss on loans and advances to customers

	2017	2016
Balance at 1 January	**2,409,239**	2,070,296
Foreign currency translation	**3,680**	(895)
Provisions made during the year	**903,964**	753,184
Recoveries during the year	**(104,578)**	(98,360)
Net allowance for impairment during the year*	**799,386**	654,824
Written off/transfers during the year	**(394,332)**	(314,986)
Balance at 31 December	**2,817,973**	2,409,239

*The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations amounting to QAR 206.9 million during the year (2016: QAR 174.6 million).

As at and for the year ended 31 December 2017 QAR '000s

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in impairment loss on loans and advances to customers (continued)

Reconciliations of the allowance for impairment losses for loans and advances to customers, by class, is as follows:

	Corporate lending	**SME lending**	**Retail Lending**	**Real estate mortgage lending**	**Total**
Balance at 1 January	**1,960,662**	**60,389**	**341,283**	**46,905**	**2,409,239**
Foreign currency translation	**2,527**	**4**	**(72)**	**1,221**	**3,680**
Provisions made during the year	**726,420**	**31,023**	**146,457**	**64**	**903,964**
Recoveries during the year	**(55,884)**	**(2,035)**	**(44,212)**	**(2,447)**	**(104,578)**
Written off during the year	**(328,308)**	**(1,191)**	**(64,721)**	**(112)**	**(394,332)**
Balance at 31 December 2017	**2,305,417**	**88,190**	**378,735**	**45,631**	**2,817,973**

	Corporate lending	SME lending	Retail lending	Real estate mortgage lending	Total
Balance at 1 January	1,553,606	68,745	362,421	85,524	2,070,296
Foreign currency translation	(681)	-	(214)	-	(895)
Provisions made during the year	618,295	18,529	109,429	6,931	753,184
Recoveries during the year	(31,279)	(4,907)	(32,971)	(29,203)	(98,360)
Written off during the year	(179,279)	(21,978)	(97,382)	(16,347)	(314,986)
Balance at 31 December 2016	1,960,662	60,389	341,283	46,905	2,409,239

11 INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	2017	2016
Available-for-sale	**12,065,115**	8,524,454
Investment securities classified as held for trading	**-**	5,657
Held-to-maturity*	**5,708,651**	6,405,787
	17,773,766	14,935,898
Impairment losses	**(261,156)**	(229,788)
Total	**17,512,610**	14,706,110

*The Group has pledged State of Qatar Bonds amounting to QAR 4,606 million (2016: QAR 2,545 million) against repurchase agreements.

As at and for the year ended 31 December 2017 QAR '000s

11 INVESTMENT SECURITIES (CONTINUED)

a) Available-for-sale

	2017			2016		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Equities	**1,077,288**	**63,518**	**1,140,806**	1,109,292	68,042	1,177,334
State of Qatar debt securities	**6,549,715**	**524,275**	**7,073,990**	3,282,312	1,652,005	4,934,317
Other debt securities	**3,717,547**	**25,234**	**3,742,781**	2,293,850	76	2,293,926
Mutual funds	**107,538**	**-**	**107,538**	118,877	-	118,877
Less: Impairment losses	**(235,772)**	**(11,189)**	**(246,961)**	(206,805)	(8,789)	(215,594)
Total	**11,216,316**	**601,838**	**11,818,154**	6,597,526	1,711,334	8,308,860

Fixed rate securities and floating rate securities amounted to QAR 10,246.7 million and QAR 570.1 million respectively as of 31 December 2017 (2016: QAR 7,130 million and QAR 98.7 million respectively).

Investment securities classified as held for trading
The investment securities classified as held for trading comprise quoted bonds amounted to QAR Nil million. (2016: Quoted bonds amounting to QAR 5.3 million.

b) Held-to-maturity

	2017			2016		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
-By issuer						
State of Qatar debt securities	**2,886,237**	**1,639,649**	**4,525,886**	3,351,341	1,675,596	5,026,937
Other debt securities	**347,083**	**835,682**	**1,182,765**	381,721	997,129	1,378,850
Less: Impairment losses	**(14,194)**	**-**	**(14,194)**	(14,194)	-	(14,194)
Total	**3,219,126**	**2,475,331**	**5,694,457**	3,718,868	2,672,725	6,391,593
-By interest rate						
Fixed rate securities	**3,233,319**	**2,475,332**	**5,708,651**	3,733,062	2,672,725	6,405,787
Floating rate securities	**-**	**-**	**-**	-	-	-
Less: Impairment losses	**(14,194)**	**-**	**(14,194)**	(14,194)	-	(14,194)
Total	**3,219,125**	**2,475,332**	**5,694,457**	3,718,868	2,672,725	6,391,593

The fair value of held-to-maturity investments amounted to QAR 5,707.8 million at 31 December 2017 (2016: QAR 6,492.5 million).

c) Movement in impairment losses on investment securities

	2017	2016
Balance at 1 January	**229,788**	213,602
Provision for impairment loss created during the year	**142,067**	139,499
Recoveries during the year	**(110,699)**	(123,313)
Balance at 31 December	**261,156**	229,788

As at and for the year ended 31 December 2017 QAR '000s

12 INVESTMENT IN AN ASSOCIATE

	2017	2016
Balance at 1 January	**10,343**	8,908
Foreign currency translation	**693**	(257)
Acquisition during the year	**-**	1,738
Share of results	**158**	(46)
Cash dividend	**(68)**	-
Balance at 31 December	**11,126**	10,343

The financial position and results of the associates based on audited financial statements, as at and for the year ended 31 December is as follows:

31 December	**2017**	2016
Total assets	**45,955**	30,140
Total liabilities	**30,861**	16,295
Total revenue	**11,226**	8,300
Profit / (loss)	**359**	(104)
Share of profit / (loss)	**158**	(46)

As at and for the year ended 31 December 2017 QAR '000s

13 PROPERTY, FURNITURE AND EQUIPMENT

	Land and buildings	**Leasehold improvements**	**Furniture and equipment**	**Vehicles**	**Total**
At 31 December 2017					
Cost:					
Balance at 1 January	**811,510**	**179,691**	**493,211**	**9,734**	**1,494,146**
Additions/ transfers	**69**	**19,270**	**16,777**	**568**	**36,684**
Disposals/Write-off	**-**	**(3,310)**	**(269)**	**(2,224)**	**(5,803)**
	811,579	**195,651**	**509,719**	**8,078**	**1,525,027**
Depreciation:					
Balance at 1 January	**219,911**	**131,863**	**363,223**	**8,304**	**723,301**
Depreciation	**32,611**	**15,349**	**50,232**	**628**	**98,820**
Disposals/Write-off	**-**	**(3,244)**	**(206)**	**(2,224)**	**(5,674)**
	252,522	**143,968**	**413,249**	**6,708**	**816,447**
Net Book Value	**559,057**	**51,683**	**96,470**	**1,370**	**708,580**

	Land and buildings	Leasehold improvements	Furniture and equipment	Vehicles	Total
At 31 December 2016					
Cost:					
Balance at 1 January	821,100	156,429	449,557	11,931	1,439,017
Additions/ transfers	91	26,169	62,196	687	89,143
Disposals	(9,681)	(2,907)	(18,542)	(2,884)	(34,014)
	811,510	179,691	493,211	9,734	1,494,146
Depreciation:					
Balance at 1 January	187,558	121,561	333,556	10,555	653,230
Depreciation	32,673	13,210	47,127	632	93,642
Disposals	(320)	(2,908)	(17,460)	(2,883)	(23,571)
	219,911	131,863	363,223	8,304	723,301
Net Book Value	591,599	47,828	129,988	1,430	770,845

As at and for the year ended 31 December 2017 QAR '000s

14 OTHER ASSETS

	2017	2016
Interest receivable	**190,238**	165,942
Prepaid expenses	**39,538**	53,573
Repossessed collaterals*	**134,000**	-
Positive fair value of derivatives (Note 34)	**161,863**	107,746
Deferred tax asset	**132,205**	89,177
Sundry debtors	**12,130**	2,122
Others	**297,225**	507,209
	967,199	925,769

*This represents the value of the properties acquired in settlement of debts which are stated at their carrying value. The estimated market values of these properties as at 31 December 2017 are not materially different from the carrying values

15 DUE TO BANKS

	2017	2016
Balances due to central banks	**1,638,675**	728,300
Current accounts	**148,216**	208,068
Certificate of deposits	**-**	700,000
Short-term loan from banks	**3,270,792**	8,272,925
Repo borrowings	**5,947,378**	2,366,043
	11,005,061	12,275,336

16 CUSTOMER DEPOSITS

a) By type

	2017	2016
Current and call deposits	**7,972,033**	10,022,348
Saving deposits	**2,056,231**	2,312,654
Time deposits	**49,440,062**	43,394,948
	59,468,326	55,729,950

b) By sector

	2017	2016
Government and semi government agencies	**29,911,274**	21,543,253
Individuals	**8,981,229**	10,218,732
Corporates	**17,318,389**	22,291,246
Non-banking financial institutions	**3,257,434**	1,676,719
	59,468,326	55,729,950

As at and for the year ended 31 December 2017 QAR '000s

17 DEBT SECURITIES

The Group has issued subordinated debt notes and senior guaranteed notes as follows:

	2017	2016
Senior guaranteed notes	**657,669**	1,819,598
	657,669	1,819,598

Note
During current year, the Group issued USD 75 million and JPY 11.9 billion senior unsecured debt under its updated EMTN programme.

On 14 March 2012, the Group issued US$ 500 million senior guaranteed notes at 98.964% of the nominal value. The notes have a minimum nominal denomination of US$ 200,000. The notes mature in 2017 and carry interest at fixed rate of 3.50% payable semi-annually.

18 OTHER BORROWINGS

	2017	2016
Term loan facilities	**5,432,936**	4,994,474

The table below shows the maturity profile of other borrowings.

	2017	2016
Up to 1 year	**2,727,621**	3,293,026
Between 1 and 3 years	**2,705,315**	1,701,448
	5,432,936	4,994,474

19 OTHER LIABILITIES

	2017	2016
Interest payable	**297,763**	281,650
Accrued expense payable	**72,124**	58,030
Provision for end of service benefits (note-i)	**131,020**	125,207
Staff provident fund*	**50,904**	58,231
Tax payable	**34,678**	31,308
Negative fair value of derivatives (note 34)	**47,499**	28,976
Unearned income	**98,108**	83,387
Cash margins	**437,537**	315,179
Dividend payable	**54,092**	48,178
Unclaimed balances	**11,831**	8,240
Proposed transfer to social and sport fund	**27,752**	26,345
Others**	**860,984**	1,100,325
Total	**2,124,292**	2,165,056

* Staff provident fund contribution was ceased effective July 2016 except for the Qatari and other GCC nationals.

**This includes acceptances pertaining to trade finance amounting to QAR 224 million (2016: QAR 308 million).

19 OTHER LIABILITIES (CONTINUED)

Note-i
Provision for end of service benefits

	2017	2016
Balance at 1 January	**125,207**	216,122
Provision for the year	**19,222**	35,245
Provisions used during the year*	**(13,409)**	(126,160)
Balance at 31 December	**131,020**	125,207

* 50% of the end of service benefits had been paid to all staff during the year

20 EQUITY

a. Share capital

	Ordinary shares	
	2017	2016
In thousands of shares		
On issue at the beginning of the reporting period	**310,047**	258,372
On issue at 31 December	**310,047**	258,372

At 31 December 2017, the authorised share capital comprised 310,047 thousands ordinary shares (2016: 258,372 thousands). These instruments have a par value of QAR 10. All issued shares are fully paid.

On 9 May 2017, the Bank closed its right issue subscription and received QAR 1,292 million from its shareholders towards the Bank's offer to increase its share capital through the issuance of 51,674,450 new shares at a premium of QAR 15, in addition to a nominal value of QAR 10 per share, as resolved by the bank's Extraordinary General Assembly held on 6 March 2017.

Shares were listed on Qatar Exchange as on 12 July 2017 and the paid up capital of the Bank has been increased to QAR 3,100,467,020.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group.

b. Legal reserve

In accordance with Qatar Central Bank's Law No. 13 of 2012, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 11 of 2015 and is subject to the approval of QCB. No transfer was made during the year as the legal reserve is in excess of 100% of the paid up capital.

The legal reserve includes share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law 11 of 2015.

c. Risk reserve

In accordance with the Qatar Central Bank regulations, a minimum requirement of 2.5% of the net loans and advances to customers except for facilities granted to Government, is required as risk reserve to cover any contingencies.

The Group has an outstanding balance of QAR 1.37 billion under its risk reserve as at year ended 2017 which is in line with the minimum requirement (2016: QAR 80 million transferred to risk reserve).

As at and for the year ended 31 December 2017 QAR '000s

20 EQUITY (CONTINUED)

d. Fair value reserve

This reserve comprises the fair value changes recognised on available-for-sale financial assets.

	2017	2016
Balance at 1 January	**(103,412)**	(269,676)
Net unrealized (loss) on available-for-sale investment securities	**(100,156)**	(34,035)
Reclassified to consolidated statement of Income	**136,013**	200,299
Net change in fair value of available – for – sale investment securities	**35,857**	166,264
Balance at 31 December	**(67,555)**	(103,412)

e. Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

f. Proposed dividend

The Board of Directors of the Group has proposed a cash dividend of 30% of paid up share capital amounting to QAR 930.1 million - QAR 3.00 per share (2016: 30% of paid up share capital amounting to QAR 775.1 million - QAR 3.00 per share) which is subject to approval at the Annual General Meeting of the shareholders.

g. Instrument eligible as additional capital

	2017	2016
Issued on 31 December 2013	**2,000,000**	2,000,000
Issued on 30 June 2016	**2,000,000**	2,000,000
	4,000,000	4,000,000

The Group has issued regulatory Tier I capital notes totaling to QAR 4 billion. These notes are perpetual, subordinated, unsecured and each has been priced at a fixed rate for the first six years and shall be re-priced thereafter. The coupon is discretionary and the event on non-payment is not considered as an event of default. The notes carry no maturity date and have been classified under Tier 1 capital.

21 INTEREST INCOME

	2017	2016
Balance with central banks	**3,429**	1,774
Due from banks and non-banking financial institutions	**98,624**	100,393
Debt securities	**566,699**	446,879
Loans and advances to customers	**2,962,101**	2,619,949
	3,630,853	3,168,995

As at and for the year ended 31 December 2017 QAR '000s

22 INTEREST EXPENSE

	2017	2016
Due to banks	**361,654**	231,118
Customer deposits	**996,384**	798,725
Debt securities	**17,344**	78,506
	1,375,382	1,108,349

23 FEE AND COMMISSION INCOME

	2017	2016
Credit related fees	**88,002**	108,741
Brokerage fees	**667**	645
Bank services fee	**258,167**	232,601
Commission on unfunded facilities	**136,667**	134,113
Others	**32,810**	26,848
	516,313	502,948

24 FEE AND COMMISSION EXPENSE

	2017	2016
Bank fees	**1,051**	1,185
Others	**50,737**	41,984
	51,788	43,169

25 FOREIGN EXCHANGE GAIN

	2017	2016
Dealing in foreign currencies	**25,643**	47,169
Revaluation of assets and liabilities	**80,901**	55,077
	106,544	102,246

26 INCOME FROM INVESTMENT SECURITIES

	2017	2016
Net gains/(loss) on investment securities	**10,571**	(5,095)
Dividend income	**39,251**	60,679
	49,822	55,584

As at and for the year ended 31 December 2017 QAR '000s

27 OTHER OPERATING INCOME

	2017	2016
Recoveries from loans and advances to customers previously written-off	**31,199**	28,875
Rental income	**12,797**	12,509
Others	**18,280**	13,495
	62,276	54,879

28 STAFF COSTS

	2017	2016
Staff cost	**505,151**	469,159
Staff pension fund costs	**5,168**	9,845
End of service benefits	**19,222**	35,245
Training	**1,568**	2,055
	531,109	516,304

29 OTHER EXPENSES

	2017	2016
Advertising	**33,329**	33,424
Professional fees	**27,534**	42,529
Communication and insurance	**44,727**	51,841
Board of Directors' remuneration	**19,736**	15,221
Occupancy and maintenance	**123,441**	100,686
Computer and IT costs	**37,468**	38,159
Printing and stationery	**10,494**	11,734
Travel and entertainment costs	**6,909**	7,189
Others	**169,026**	158,662
	472,664	459,445

30 TAX EXPENSE

	2017	2016
Current tax expense		
Current year	**35,508**	32,207
Adjustments for prior years	**158**	29
	35,666	32,236
Deferred tax expense		
Temporary differences	**(36,943)**	(34,019)
Income tax (reversal)	**(1,277)**	(1,783)

31 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing profit for the year attributable to the equity holders (further adjusted for interest expense on tier 1capital notes) of the Bank by the weighted average number of ordinary shares in outstanding during the year:

	2017	2016
Profit for the year attributable to the equity holders of the Group	**1,110,074**	1,053,781
Deduct : Interest on Tier 1 capital notes	**(220,000)**	(220,000)
Net profit attributable to equity holders of the Group	**890,074**	833,781
Weighted average number of outstanding shares (in thousands)	**295,152**	267,575
Earnings per share (QAR)	**3.02**	3.12

The weighted average number of shares are as follows:

	2017	2016
In thousands of shares		
Weighted average number of shares at 31 December	**295,152**	267,575

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2017	2016
Contingent liabilities		
Unused facilities	**3,737,358**	3,577,504
Guarantees	**18,380,848**	22,246,187
Letters of credit	**5,958,391**	7,196,260
Others	**207,200**	161,142
Total	**28,283,797**	33,181,093
Other commitments		
Forward foreign exchange contracts	**7,091,767**	30,696,684
Interest rate swaps	**3,256,877**	1,822,890
Total	**10,348,644**	32,519,574

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

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

Lease commitments
The Group has entered into commercial leases on certain buildings. These leases have an average duration between three and five years. There are no restrictions placed upon the Group by entering into these leases.

As at and for the year ended 31 December 2017 QAR '000s

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS (CONTINUED)

Future minimum lease payments under non-cancellable leases as at December 31 are as follow:

	2017	2016
Less than one year	**12,304**	14,375
Between one and five years	**20,957**	21,830
More than five years	**3,918**	2,584
	37,179	38,789

33 CASH AND CASH EQUIVALENTS

	2017	2016
Cash and balances with central banks*	**4,380,783**	2,222,899
Due from banks and other financial institutions maturing within 3 months	**5,924,892**	6,693,115
	10,305,675	8,916,014

*Cash and balances with central banks do not include the mandatory cash reserve.

As at and for the year 31 December 2017 QAR '000s

34 DERIVATIVES

	Positive fair value	Negative fair value	Notional Amount	Notional / expected amount by term to maturity			
				within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2017:							
Derivatives held for trading:							
Forward foreign exchange contracts	**102,253**	**20,014**	**7,091,767**	**4,555,558**	**2,536,209**	**-**	**-**
Derivatives held for fair value hedges:							
Interest rate swaps	**59,610**	**27,485**	**3,256,877**	**7,283**	**20,028**	**993,765**	**2,235,801**

	Positive fair value	Negative fair value	Notional Amount	Notional / expected amount by term to maturity			
				within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2016:							
Derivatives held for trading:							
Forward foreign exchange contracts	52,145	19,827	30,696,684	26,292,656	4,404,028	-	-
Derivatives held for fair value hedges:							
Interest rate swaps	55,601	9,149	1,822,890	-	25,491	733,398	1,064,001

As at and for the year ended 31 December 2017 QAR '000s

35 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, Related parties include entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group. The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

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

	2017		2016	
	Board of directors	**Others**	Board of directors	Others
Assets:				
Loans and advances to customers	**2,599,973**	**-**	1,350,895	-
Liabilities:				
Customer deposits	**371,327**	**13,055**	394,631	19,506
Unfunded items:				
Contingent liabilities and other commitments	**998,210**	**-**	754,262	-
Other assets	**8,305**	**-**	8,305	-
Income statement items:				
Interest, commission and other income	**49,751**	**1,131**	40,669	-
Interest, commission and other expense	**10,035**	**430**	7,825	515

No impairment losses have been recorded against balances outstanding during the period with key management personnel.

Key management personnel (including Board of Directors) compensation for the year comprised:

	2017	2016
Salaries and other benefits	**63,763**	57,282
End of service indemnity benefits and provident fund	**3,167**	6,352
	66,930	63,634

36 COMPARATIVES

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

DOHA BANK Q.P.S.C. QAR '000s

FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	**2017**	2016
ASSETS		
Cash and balances with central banks	**6,669,495**	4,260,410
Due from banks	**7,756,325**	10,434,909
Loans and advances to customers	**59,804,174**	59,186,222
Investment securities	**17,511,786**	14,707,791
Investment in an associate	**11,126**	10,343
Property, furniture and equipment	**707,951**	770,292
Other assets	**903,385**	848,286
TOTAL ASSETS	**93,364,242**	90,218,253
LIABILITIES		
Due to banks	**11,005,061**	12,275,336
Customer deposits	**59,483,483**	55,745,593
Debt securities	**657,669**	1,819,598
Other borrowings	**5,432,936**	4,994,474
Other liabilities	**2,032,648**	2,058,409
TOTAL LIABILITIES	**78,611,797**	76,893,410
EQUITY		
Share capital	**3,100,467**	2,583,723
Legal reserve	**5,080,853**	4,305,737
Risk reserve	**1,372,000**	1,372,000
Fair value reserves	**(62,581)**	(100,001)
Foreign currency translation reserve	**(13,451)**	(24,991)
Proposed dividend	**930,140**	775,117
Retained earnings	**345,017**	413,258
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**10,752,445**	9,324,843
Instrument eligible as additional capital	**4,000,000**	4,000,000
TOTAL EQUITY	**14,752,445**	13,324,843
TOTAL LIABILITIES AND EQUITY	**93,364,242**	90,218,253

DOHA BANK Q.P.S.C. QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK (CONTINUED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

Income Statement – Parent Bank

	2017	2016
Interest income	**3,630,853**	3,168,995
Interest expense	**(1,375,497)**	(1,109,061)
Net interest income	**2,255,356**	2,059,934
Fee and commission income	**516,313**	502,948
Fee and commission expense	**(51,788)**	(43,169)
Net fee and commission income	**464,525**	459,779
Foreign exchange gain	**106,544**	102,246
Income from investment securities	**49,524**	54,020
Other operating income	**59,405**	54,541
	215,473	210,807
Net operating income	**2,935,354**	2,730,520
Staff costs	**(521,984)**	(505,068)
Depreciation and amortisation	**(98,563)**	(93,388)
Impairment loss on investment securities and due from banks	**(142,067)**	(138,771)
Net impairment loss on loans and advances to customers	**(592,541)**	(480,224)
Other expenses	**(471,997)**	(464,462)
	(1,827,152)	(1,681,913)
Profit for the year before tax	**1,108,202**	1,048,607
Tax reversal	**1,291**	2,158
Profit for the year	**1,109,493**	1,050,765