ANNUAL REPORT 2017

بنك الدوحة
DOHA BANK

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

CONTENTS

DOHA BANK **AWARDS**

Doha Bank has been recognized by various professional institutions for its consistent and strong financial performance as well as its innovative banking products and services. Doha Bank's international expansion strategy has also been identified as one of the key factors of its success and recognized by the Awarding institutions. The awards stand testament to the commitment of Doha Bank to ensure continuous improvement in its product and service quality as well as offer the best possible customer service.

Few of the key awards received in 2017 are as below:

Best Regional Commercial Bank - 2017
Banker Middle East

Best Local Bank in Qatar - 2017
EMEA Finance

Most Innovative Bank in the Middle East - 2017
EMEA Finance

Best Bank Governance - 2017
Capital Finance International

Qatar Domestic Trade Finance - 2017
Asian Banking & Finance Awards

Qatar Business Excellence Awards - 2017
Best Business Bank MEA

Qatar Domestic Project Finance - 2017
Asian Banking & Finance Awards

Best Regional Enterprise For Excellence in Quality in Banking - 2017
Europe Business Assembly

Best Regional Commercial Bank
Banker Middle East

2017,2016,2015, 2014, 2013, 2010
2009, 2007 & 2006

Best Local Bank in Qatar
EMEA Finance

2017, 2016, 2012, 2011, 2010

Best Bank Governance
Capital Finance International

2017

Most Innovative Bank
in the Middle East
EMEA Finance

2017, 2016, 2010

3G global governance award
Global Good Governance Awards

2017

Qatar Domestic Trade Finance
Asian Banking & Finance Awards

2017, 2016, 2014

Qatar Domestic Project Finance
Asian Banking & Finance Awards

2017

Best Business Bank MEA
Qatar Business Excellence Bank

2017

Best Regional Enterprise Award For
“Excellence in Quality in Banking”
Europe Business Assembly

2017

Best Commercial Bank in Qatar
International Finance Award

2016, 2014, 2013

Best Web/Mobile Banking Services
Banker Middle East

2016, 2015

Golden Peacock Global
Excellence in Corporate Governance
Institute of Directors

2016, 2015

Best Saving Account
Banker Middle East

2016, 2015

Golden Peacock Global Award for
Corporate Social Responsibility
Institute of Directors

2016, 2014, 2013, 2012

Best Co-branded Credit card
Banker Middle East
Product Awards

2016, 2015

Best Commercial Bank
Middle East - Global Banking
& Finance Review

2015, 2014

Bank of the Year - Qatar
Arabian Business - ITP Group

2015

The Bizz - World Business leader
World Confederation of Business

2015

Localization in Kuwait branch
Board of Ministers of labor - GCC

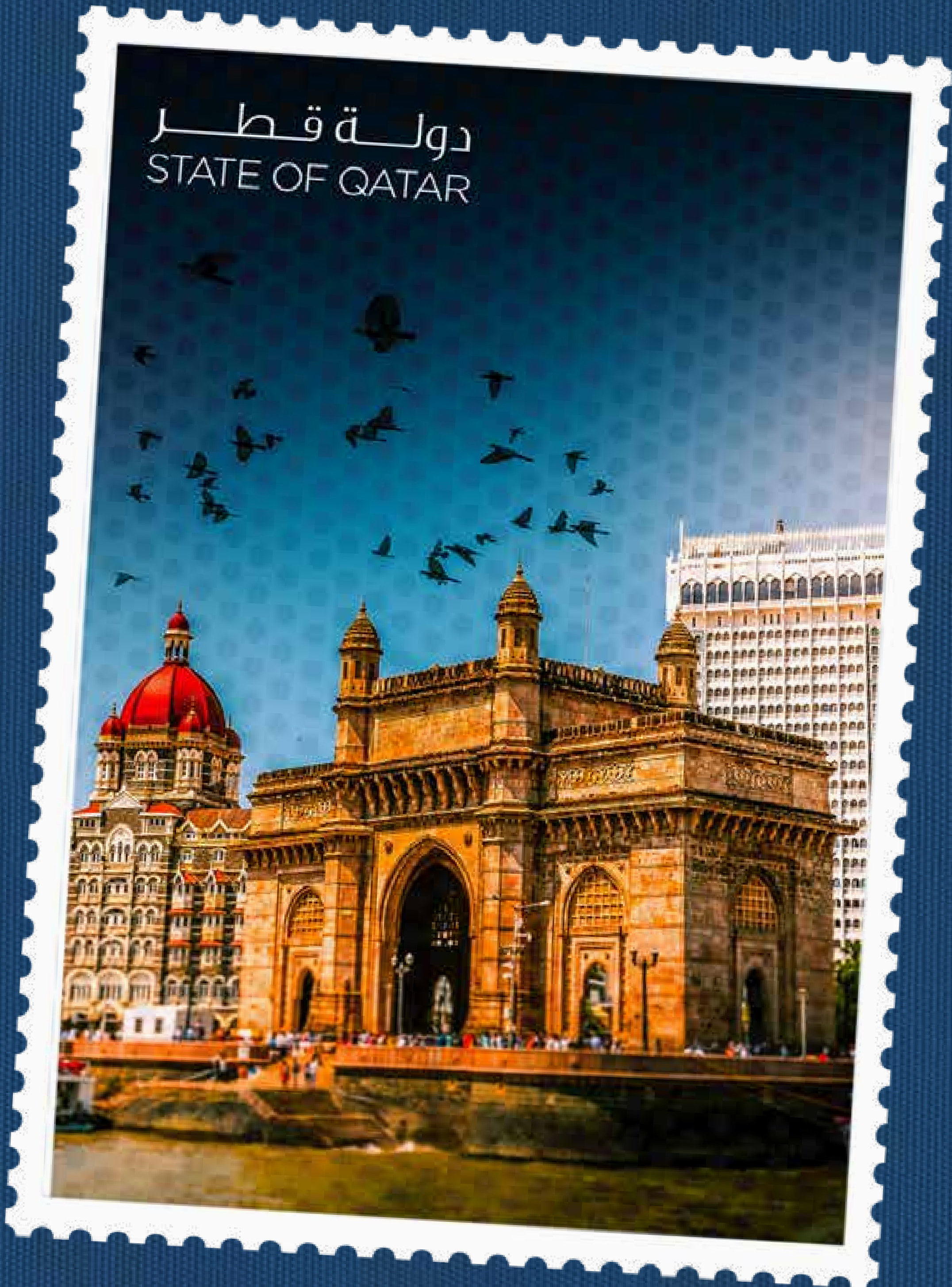
2015

Environmental Award
The Arab Organisation
for Social Responsibility

2015, 2014

GLOBAL NETWORK

1	Qatar
2	Dubai
3	Abu Dhabi
4	Kuwait City
5	Mumbai
6	Kochi
7	Chennai
8	London
9	Frankfurt
10	Istanbul
11	Singapore
12	Shanghai
13	Seoul
14	Tokyo
15	Hong Kong
16	Sydney
17	Toronto
18	Sharjah
19	Johannesburg
20	Dhaka
21	Colombo



MUMBAI

FINANCIAL HIGHLIGHTS

Key Figures	2013 (QR Mn)	2014 (QR Mn)	2015 (QR Mn)	2016 (QR Mn)	2017 (QR Mn)
Total Assets	66,970	75,518	83,289	90,365	93,495
Net Loans & Advances	41,109	48,559	55,595	59,186	59,804
Customer Deposits	42,522	45,947	52,767	55,730	59,468
Total Equity	11,271	11,293	13,187	13,381	14,807
Total Revenues	3,208	3,517	3,708	3,950	4,428
Net Profit	1,313	1,359	1,354	1,054	1,110

Key Ratios (%)	2013	2014	2015	2016	2017
Return on Shareholders' Equity	17.9%	16.5%	15.9%	12.1%	11.9%
Return on Average Assets	2.18%	1.93%	1.70%	1.21%	1.21%
Total Capital Ratio	15.90%	15.03%	15.73%	15.57%	17.51%
Total Equity to Total Assets	16.83%	14.95%	15.83%	14.81%	15.84%
Net Loans to Total Assets	61.38%	64.30%	66.75%	65.50%	63.96%
Net Loans to Total Deposits	96.68%	105.68%	105.36%	106.20%	100.56%

CHAIRMAN'S **MESSAGE**

In the Name of Allah, Most Gracious, Most Merciful,

Dear Shareholders,

Ladies & Gentlemen,

Al Salamu Alaykum…

On behalf of myself and the members of the Board of Directors (BOD), I would like to thank you all on this occasion for attending this meeting. I would also like to extend my sincere thanks to the BOD and the Executive Management for the achievements accomplished during the year 2017.

The challenges faced by capital markets in this region have adversely affected all sectors this year including the banking sector and market liquidity. Nevertheless, due to the wise leadership of His Highness, Sheikh Tamim Bin Hamad Al-Thani, The Emir of Qatar, as well as the wise directives of the government and the cooperation of all governmental institutions in the country, we were able to overcome these problems and difficulties.

An overview of the results of 2017 reveals that we have achieved good growth rates in most financial indicators. The total assets rose by 3.5% reaching to QR 93.5 billion, total portfolio of loans and advances rose by 1%, total customers' deposits rose by 6.7% and the total shareholders' equity reached to QR 14.8 billion. We also achieved net profit by the end of the year of QR 1,110 million compared to QR 1,054 million in 2016. These robust results were reflected in the performance indicators particularly the return on average shareholders' equity i.e. (11.9%) and the return on average assets i.e. (1.21%). Based on these results, the BOD decided to put up a recommendation to the AGM to distribute cash dividend of QR (3) per share i.e. 30% of the paid up capital.

During the year, the Board of Directors approved the bank's five-year strategic plan, which incorporates certain amendments to the bank's business strategy especially with regard to the activities of overseas branches and representative offices across the globe. The future plan of the bank includes implementation of an effective Risk Management strategy both at the local and international fronts, recruiting Qatari nationals, enhancing the levels of staff performance by recruiting highly experienced and qualified human resources, improving banks' service delivery channels, upgrading the level of Corporate Governance in the bank, diversifying the income sources and strengthening the financial position with a view to achieving the highest level of effective operational performance.

On the other hand, the bank has taken all measures to enhance its Corporate Governance system, whereby in addition to the policy manual on the BOD roles, responsibilities and terms of reference, the BOD Committees, the Executive Management Committees, Code of Ethics, we also approved the bank's Corporate Governance Policy and Procedures. The BOD also enhanced the concepts of internal controls, transparency, disclosures, shareholder relations and stakeholders' rights, etc. We also proposed in the EGM's agenda, certain amendments/additions in the bank's Articles of Association for your endorsement in order to align the AoA with the provisions of the Governance Code for Companies and Legal Entities issued by Qatar Financial Markets Authority. However, the bank's report on Corporate Governance for the year 2017 is readily available to you in this meeting which reflected the Corporate Governance standards implemented by the bank.

Finally, on behalf of the Board of Directors and myself, I would like to extend my sincere thanks and gratitude to H.H. The Emir, Sheikh Tamim Bin Hamad Al-Thani, H.E. The Prime Minister, Sheikh Abdullah Bin Nasser Al-Thani, H.E. The Minister of Finance, Mr. Ali Sharif El-Emadi, H.E. The Minister of Economy & Commerce, Sheikh Ahmed Bin Jassim Bin Mohammad Al-Thani, and H.E. The QCB Governor, Sheikh Abdullah Bin Saoud Al-Thani, and to all officials of Qatar Central Bank, the Ministry of Economy and Commerce, Qatar Financial Markets Authority and Qatar Exchange for their continued cooperation and support.

Many thanks and appreciation to all the shareholders and customers for their confidence in the bank and to the Executive Management and all staff of the bank for their continuous cooperation and efforts which led to achieving impressive results for Doha Bank.

Fahad Bin Mohammad Bin Jabor Al-Thani
Chairman

BOARD OF **DIRECTORS**

Sheikh Fahad Bin Mohammad Bin Jabor Al Thani
Chairman of the Board of Directors

Graduate of the Royal Academy, Sandhurst, UK

Board Member, Al Khaleej Takaful Group

Mr. Ahmed Abdul Rahman Yousuf Obaidan
Vice Chairman

General Manager, Al Waha Contracting & Trading Est.

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director

Chairman of the Board of Directors, Qatar Industrial Manufacturing Co.
Board Member, National Leasing Holding
Chairman of the Board of Directors Qatar Oman Investment Company
"State of Qatar representative"

Sheikh Abdulla Bin Mohamed Bin Jabor Al Thani
Board Member

Chairman of the Board of Directors Al Khaleej Takaful Group

Sheikh Falah Bin Jassim Bin Jabor Bin Mohammad Al Thani - Representative of Jassim and Falah Trading and Contracting Co.
Board Member

Chairman of the Board of Directors National Leasing Holding

Mr. Ahmed Abdullah Ahmed Al Khal
Board Member

Businessman

Mr. Hamad Mohammed Hamad Abdulla Al Mana
Board Member

Vice Chairman, Al Mana Group
Board Member, Qatar General Insurance & Reinsurance Co.
Board Member, Qatar Navigation Co

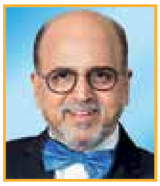
Mr. Ali Ibrahim Abdullah Al-Malki

Independent Member

Mr. Nasser Khalid Nasser Abdullah Al-Mesnad

Independent Member

EXECUTIVE **MANAGEMENT**



Dr. R. Seetharaman
Chief Executive Officer

Sh. Mohamed Fahad M J Al-Thani
Acting Chief Human Resources Officer

Mr. David Challinor
Chief Financial Officer

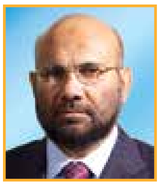
Mr. Abdullah Asad Al-Asadi
Executive Manager, Shareholders Affairs

Mr. Krishnan C.K.
Chief Wholesale Banking Officer

Mr. Khalid Alnaama
Head of Public Sector

Mr. Hassan Ali Kamal
Corporate Branch Manager

Mr. Maher Ahmed Ali Ahmed
Branch Manager- Al Mirqab



Mr. Khalid Latif
Chief Risk Officer

Mr. Khalifa Al Kaabi
Head of Recovery

Mr. Frank Hamer
Chief International Banking Officer

Mr. Ahmed Ali Al-Hanzab
Head of Administration

Mr. Braik Ali HS Al-Marri
Acting Chief Retail Banking Officer

Mr. Peter Edward Roberts
Chief Operating Officer

Mr. Yousuf Ahmed Mandani
Main Branch Manager

Mr. Mokhtar Abdel Monem Elhenawy
Legal Advisor to the Board and Company Secretary

Mr. Jamal Eddin H. Al Sholy
Chief Compliance Officer

Dr. Mohammad Omar Abdelaziz Daoud
Chief Internal Auditor

INTERNATIONAL **NETWORK**

Mr. M. Sathyamurthy
Deputy Head - International Banking Singapore Representative Office

Mr. Loai Fadel Mukamis
Chief Country Manager - Kuwait

Mr. Alaga Raja
Country Head of UAE

Mr. Manish Mathur
Country Manager - India

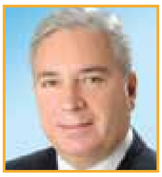
Mr. Hilton Wood
Chief Representative
Australia Representative Office

Mr. Kanji Shinomiya
Chief Representative
Japan Representative Office

Mr. Young Joon
Chief Representative
South Korea Representative Office

Mr. Peter Lo
Chief Representative
China Representative Office

Mr. Ivan Lew Chee Beng
Chief Representative
Hong Kong Representative Office



Mr. Nezih Akalan
Chief Representative
Turkey Representative Office

Mr. Maik Gellert
Chief Representative
Germany Representative Office

Mr. Richard Whiting
Chief Representative
The United Kingdom Representative Office

Mr. Venkatesh Nagoji
Chief Representative
Canada Representative Office

Mr. Andre Leon Snyman
Chief Representative
South Africa Representative Office

Mr. Ajay Kumer Sarker
Chief Representative
Bangladesh Representative Office

Mr. Eranda Wishanake Weerakoon
Chief Representative
Sri Lanka Representative Office

KUWAIT

MANAGEMENT **REPORT**

Global Economy

According to the recent IMF report January 2018, global growth forecast has been revised to 3.9% for 2018 as well as 2019. The advanced economies are expected to grow by 2.3% in 2018 and 2.2% in 2019. The emerging and developing economies are expected to grow by 4.9% in 2018 and 5.0% in 2019 respectively. The sweeping U.S. tax cuts were likely to boost investment in the world's largest economy and help its main trading partners. The primary sources of GDP acceleration so far have been in Europe and Asia, with improved performance in the United States, Canada, and some large emerging markets, notably Brazil and Russia. Even though the United States Federal Reserve continues to raise interest rates gradually, it has been cautious, having responded to the turbulence of early 2016 by postponing previously expected rate increases. The European Central Bank has started to taper its large-scale asset purchases, which have played a critical role in reviving euro area growth, but has also signaled that interest-rate increases are a more distant prospect.

India is projected to grow at 7.4% of its Gross Domestic Product (GDP) in 2018 making it the fastest growing economy among emerging economies; Last year's slowdown was attributable largely to demonetization and the implementation of Goods and Services Tax (GST). IMF projected India's GDP growth rate at 7.4% in 2018 and 7.8% in 2019. The commodity prices are rising and inflation challenges are expected to come up in 2018. The Middle East, North Africa, Afghanistan and Pakistan growth was expected to pick up in 2018 to 3.6%.

Mr. Alaga Raja, Country Head of UAE for Doha Bank, receives the "Best Commercial Bank" at IFM Awards.

Domestic Trend

IMF October 2017 report had revised Qatar's economic forecasted growth to 3.1% in 2018. Qatar will raise LNG production by 30% to 100mtpa within five to seven years after lifting a moratorium on gas development earlier in 2017. Qatar was also ranked 25th in 'the Global Competitiveness Report 2017-18'.

Doha Bank CEO with H.E. President Maithripala Sirisena at President's House in Sri Lanka.

In response to the economic blockade, Qatar has emerged strong and has brought various reforms to transform itself into a self-reliant economy. Qatar's reserves are more than twice of its Gross Domestic Product (GDP). With regards to financial stability, Qatar is strong, stable and functional. A new law for Public Private Partnership (PPP) businesses in Qatar should provide an additional level of comfort to the private sector and foreign investors. In February 2017, Qatar issued a new law on arbitration (the "Arbitration Law"), inspired by the UNCITRAL Model Law (the "Model Law"), an international template for law on arbitration. Qatar's landmark residency plan introduced in 2017 is a welcoming social and economic reform. It will attract skilled expats to have a career in Qatar. In terms of food security, Qatar now has many local companies that are supporting the country and it can develop these businesses further and boost its food production to provide both locally and internationally.

In 2017, Qatar has waived entry visa requirements for citizens of 80 countries. The Qatar 2018 budget allocations for health, education and transportation reached QR83.5 billion or 41% of total expenditure. The transportation and other infrastructure projects were assigned the largest share in the 2018 budget with allocations of QR42.0 billion, 21% of total expenditure. Sports sector and 2022 FIFA World Cup projects amounted to a total allocation of QR11.2 billion.

Wholesale Banking Group

Wholesale Banking Group's (WSB) strategy is vibrant, designed with the notion of prioritizing customer satisfaction, and system digitization. Focusing on projects, which hold up services and increase turnaround time, WSB has begun building processes that allow clients to be up to date on the status of their requests.

Despite the political situation with regional neighbors and the tight liquidity resulting from low oil prices, WSB continued to fund and grow its assets in line with the market. Furthermore, the unit has consistently made progress in developing business in line with the risk appetite endorsed by the Bank's Board of Directors.

The continuing success of Wholesale Banking and the resilience of its business divisions illustrates the effectiveness of WSB strategy to successfully counterbalance external shocks, economic cycles and shifting capital flows.

The organization under WSB is operated through following divisions

- Corporate and Commercial Banking
- SME Banking
- Corporate and Structured Finance
- Public Sector Unit
- Cash Management Services
- Mortgage Finance and Real Estate Services
- Corporate Branches and Service Centers

Dr. R. Seetharaman, CEO of Doha Bank, delivers a speech during the "Energy Sustainability – The Next Decade" in Mumbai.

Corporate and Commercial Banking (CCB) offers a broad range of lending products including working capital finance, overdrafts, bill-discounting and term loans. Non-funded facilities include Letters of Credit and Letters of Guarantees for local and cross-border financing. As the growth engine for the bank, CCB follows a proven and well-balanced growth strategy, responding to market challenges with flexibility and an enhanced spread of advisory capabilities. CCB focuses its attention on effective credit monitoring in order to ensure superior asset quality, and, selectively establishing new relationships with prominent local and international companies; Doha Bank actively associates with selective large ticket infrastructure projects, real estate financing and other landmark financings.

Mr. Ahmad Al-Hanzab, Head of Administration at Doha Bank, receives a token of appreciation on behalf of Doha Bank from the Qatar National Day Celebrations Organizing Committee.

The Small-and-Medium Enterprise (SME) banking continues to concentrate on the lower risk of the more profitable medium-sized enterprises. SME's operations are supported by strong digitization transforming the interaction with clients and guiding them on how to integrate new technologies and adapting straight-through-processing (STP). Consultant-Banking is also prioritized as partnerships with world-class consultants on liquidity and working capital management, managing operating expenses, establishing a reliable financial reporting and management information systems are provided to SMEs to support them in competing, developing and expanding their operations.

Corporate Finance provides services for large-cap and mid-cap corporates, governments and financial sponsors. The division successfully closed a number of transactions as mandated lead arranger both within the GCC and internationally by leveraging on Doha Bank's international footprint. Corporate Finance's highly qualified team takes a holistic and research driven approach to the raising of capital for clients and has the ability to effectively leverage the bank's balance sheet. Additionally, the team uses alternative sources of funds and risk distribution models to optimize the outcome for the client.

Public Sector unit (PSU) provides services and banking solutions to government and semi-government institutions and corporations operating in Qatar. PSU has strong business relationships with these entities of various economic sectors including aviation, oil & gas, education, health and transportation and also specializes in financing the development of infrastructure projects in line with the State of Qatar's National Vision 2030.

The Cash Management Services (CMS) unit provides Doha Bank customers with rapid, reliable and cost effective solutions tailor made to meet their cash needs. CMS' customized online platform contributes to customers' operational efficiency and promoting reduction in operating costs. CMS offers services ranging from receivables management to secured cash pickup, to payables and liquidity management.

Mortgage Finance and Real Estate Services (MFRES) offers a variety of products to meet individual and corporate needs, whether for the purchase of real estate, or the development of residential, commercial or hospitality projects. MFRES works closely with leading regional and international institutions to ensure that the process of securing a mortgage is completed in an effective and timely manner.

Political uncertainties in the macro-economic environment and a broad range of challenges will reflect on the agenda in 2018 and beyond. One of the most important threat faced by WSB is the possibility that the budget deficits of the largest economies within GCC will affect government spending and private consumption, which potentially can result in weakening credit qualities. For protecting the asset quality, regular portfolio reviews are being done. A risk distribution desk will also help to manage industry and peak exposures for individual borrowers. Liability Management has also been institutionalized to support cost efficient fund-raising.

Doha Bank sponsors the football team of Al Arabi Sports Club for two seasons.

Treasury and Investments Group

The Treasury and Investments (T&I) Group competitively offers a broad range products to customers. Products include foreign exchange, money market, fixed income, mutual funds, equity brokerage, commodities and notably precious metals.

T&I continues to focus on improving all aspects of its client servicing ethos through a dedicated and skilled sales team with diverse knowledge of both local and international markets. It remains T&I's main objective to be a trusted partner in providing corporate risk management solutions in currency, commodities and interest rate products.

T&I continues to execute on strategies to widen and diversify sources of funding for the Bank. Approvals are in place to issue up to USD2Bn under the Euro Medium Term Note (EMTN) Programme (with issuances planned in several currencies) and up to USD 5Bn under the Joint Certificate of Deposit (CD) / Commercial Paper (CP) Program. As on 31st December 2017, Qatar Exchange Traded Fund (QETF) is in its final stages of launching.

The Bank's investment philosophy remains prudent and cautious. The focus has been on increasing holdings of high quality Sovereign debt to ensure a ready source of liquidity.

Doha Bank will continue to evolve and align its investment and liquidity management activity to accommodate the requirements of Basel III.

International Banking Group

International Banking Group (IBG) covers Doha Bank's international operations, facilitates substantial cross-border trade and is responsible for the overall relationship management with over 600 financial institutions worldwide. As part of its operations, IBG arranges loans and participates in syndicated loans to financial institutions across all the strategic international locations. IBG also supports the bank's funding resources and treasury management by arranging cost effective term loan borrowings for the bank. The Representative Offices in Australia, Japan, Korea, China, Hong Kong, Singapore (South East Asia), Bangladesh, Turkey, Germany (Central Europe), United Kingdom, South Africa, Sharjah and Canada cover all relevant trade and infrastructure related transactions with the partner countries of Qatar, Kuwait, India and the UAE through reference only. A new representative office in Sri Lanka was approved in 2017 and is expected to open in 2018.

A network of full-fledged branches in Kuwait, Dubai, Abu Dhabi and three branches in India offer the entire range of Wholesale, Retail, Treasury and Foreign Exchange besides Trade Finance products and services to the domestic customers. The branches also meet the cross-border banking needs of Doha Bank customers in these countries.

Doha Bank's operations in India pave the way for the Bank to support all Non-Resident Indian expatriates in the GCC countries with the best-in class solutions including remittance solutions through all its existing branches in Mumbai and Kochi. During the year, the bank has obtained necessary local Regulators' approval to shift its Raheja Branch to the new location in Chennai. The year also saw new product launches in India with NRI home loan product as well as wealth management, insurance and estate planning launched in cooperation agreements.


Representatives from Doha Bank and Citizens Bank (Nepal) after signing the e-Remittance Agreement.

The overseas expansion of the Bank is in line with the strategic vision of the Board to have a worldwide operative presence to cater and serve the growing customer base across GCC and a robust emerging market in India with a synergy to the

Qatar market. The Representative Offices complement Doha Bank's existing branch network both within and outside Qatar by better understanding the various international markets, thus enabling enhanced customer experience with globalized expertise for GCC companies. The international network aims to facilitate customers to conduct and optimize cross-border trade transactions between Qatar, Kuwait, UAE, India and other overseas countries.

In line with the vision of the Board of Directors to expand the Bank's overseas operation, the Bank constantly assesses the potential opportunities to expand the bank's operations globally in select countries. Doha Bank also organized various knowledge sharing sessions, roadshows and forums across Singapore, Sydney, Kuwait, Frankfurt, New York, Toronto and London in 2017; Topics included inter alia 'New World Order and Opportunities', 'Bilateral Opportunities between New York & Qatar', 'Qatar – A Land of Opportunities', 'Qatar – Germany Bilateral Opportunities'.

Retail Banking

Retail Banking Group is focused on building a profitable and sustainable business in Qatar, Kuwait and India. In the backdrop of the liquidity crunch, declining oil prices, rising interest rates, restructuring & reorganization in most of the industry sectors and price-led competition in the local market - has been quite a challenge for the retail business for the whole of 2017. Amidst these challenging environment, Retail Banking Group has sustained to a large extent and has maintained its Net Interest Margin (NIM) in a fiercely competitive market.

Retail Banking Group offers a wide range of products and services to its customers through diverse delivery channels such as branches, electronic branches, mobile banking, internet banking, SMS banking, call centers, ATMs & Mobile Van ATMs. It was one of the first banks in Qatar to introduce phone and SMS banking, internet banking, mobile banking & payroll cards.

In Qatar, Doha Bank has 27 Branches and has overseas branches in UAE, Kuwait and India. Doha Bank also maintains over 110 ATMs, 6 pay offices and 6 electronic branches in Qatar. Along with this, there are other delivery channels such as direct sales units, Al Riyada RMs, Private Banking RMs, Call Center and Bancassurance team. The Bank has an effective merchant acquisition program enrolling over 2,700 merchants and has installed over 4,600 point of sale machines in Qatar as on 31st December 2017.

Dr. Seetharaman and other Doha Bank officials at the Certification Ceremony of the first surveillance audit of ISO 20000-2011.

Dr. Seetharaman with H.E. Mr. Ranjan Mathai, former Indian Foreign Secretary and Indian High Commissioner to the UK, during the Knowledge Sharing Session on "Changing International Dynamics".

Retail Banking Group continued to utilize social and digital media, and developed complete 360° communication platforms across all touch points, adopting social media usage for listening to customer feedback and suggestions. With a view to reach out to its customers, and also a part of digital and customer experience journey, Retail Banking launched WhatsApp Chat service in 2017 that will offer customers immediate and personalized information. On the occasion of Qatar National Day, a new Arabic Mobile Banking App was released with new features such as improved experience for log-in, facial recognition, scheduled payments, one-touch balance check, etc. in the new app.

The Digital, Product & Marketing team in partnership with the channels continue to lead the Retail transformation across all three markets - Qatar, India and Kuwait - with focus on digitization, cross-sell to drive fee income, shift to premium segment, new to bank customer acquisition & retention, grow low-cost deposit and grow revenue contribution from international markets.

Another key objective is to enhance marketing & brand share of voice through digital & social media channels. We are in process of enhancing the Digital Marketing eco-system with various business partners. A new version of DB customer loyalty program – Doha Miles was launched in May 2017 with over 11,000 customers registering to this program. The Bank also introduced 'Doha Bank MyBook Qatar' a mobile app version of MY BOOK which is the first incentive provider of 'Buy One Get One Free' (B1G1F) Offers in Qatar that was exclusively brought by Doha Bank. Furthermore, the Bank has soft launched Contactless Card Payments and 3D secure OTP for credit card in November 2017; Also launched new "Doha Global Cash Back", 1st in Qatar (merchant funded 2500+ int`l brands) in November 2017.

Remittance revenue has also increased significantly this year with the launch of new international money transfer to 200+ countries through the new mobile banking application. On the liabilities front, the 'Al Dana' savings scheme's prize draws, got to see some interesting winners including a popular international football player and several others walking away with life-changing prizes this year. The annual Al Dana Green Run event - with the aim of promoting environmental awareness, and social and sports activities in Qatar - attracted the attention of general public for Al Dana product.

Retail Banking plans to meet the liability crunch, curb the rising interest rates & to build a stable and long-term deposit base by introducing Flexi Save Deposit product, which offers customers to withdraw anytime from any of Doha Bank delivery channel. Retail Banking plans to launch Al Jana series 7 and revised the Flexi save product proposition to drive the deposit mobilization for 2018.

On the loans front, Doha Bank launched a special bundled offer for high ticket loans aimed to acquire Qatari customers. Retail banking also launched car loan offer bundled with a free Comprehensive Car Insurance, hosted a special Suhoor banquet for its customers in June 2017. In a step aimed at rewarding environmentally-conscious new homeowners, Doha Bank, has launched Qatar's first 'Green Mortgage' home loan program.

Blood Donation initiative at Doha Bank.

Al Riyada proposition offers a bouquet of product & services and life style differentiators like

Products	Services	Lifestyles
Visa Infinite Card	1 hr. Loan Approval	Global Cash Back
Flexi save Deposit	30 min Acct Opening	Movie Ticket B1G1F
Insurance services	30 sec call pick up	Valet Parking & Concierge Services
		Worldwide Airport lounge Access

For the NRI segment, Retail Banking launched an enhanced NRI customer proposition including Retail Home Loan product. It launched a tie up with Centrum for NRI Wealth Management in October 2017 and 'Estate Planning' through Warmond this year. The focus is to leverage the India presence to expand the business proposition to a large Indian community base in Qatar and Kuwait as a whole. For the Kuwaiti market, Retail Banking Group launched Doha Miles in October 2017.

On the channels front, the Bank is committed on footprint optimization, digitization, transaction off-loading from branches to alternative channels and from call center to IVR. Retail Banking Group is aligned to branch & footprint optimization and have inaugurated its new branch in Mall of Qatar, opened another new branch at Doha Festival City in addition to relocating the Airport branch. To achieve operational efficiency, Retail banking has merged Handasa Branch with Main Branch, Umm Salal Branch with Al Kheretiat Branch, Muaither Branch with Al Rayyan Branch, Aspire Branch with Salwa Branch and have also closed Abu Hamour & Najada Pay-offices this year. With regard to reducing variable costs, the business unit has periodically revamped the website information on various products & services and using it as an effective channel for generating online leads.

Retail Banking Group is seeking to consolidate and extend its strength in the retail sector through innovative products & services, leveraging technology, exploring self-service distribution channels and establishing best practices that are intended to streamline processes. The objective is to deliver an unprecedented customer experience in coming years in accordance with the Bank's slogan, "There is so much to look forward to" and establish Doha Bank as one of the best Banks in the region.

A discussion during the Knowledge Sharing Session on "Enhancing Customer Value through Wealth Management".

Doha Bank Assurance

Doha Bank Assurance Company LLC ('DBAC') was established in 2007 by Doha Bank, being the first GCC bank to establish a fully-owned insurance subsidiary. The strategic vision of the company is to provide clients with a wide range of professional services to meet their holistic insurance needs and financial security. With authorization from the Qatar Financial Centre Regulatory Authority, the company is licensed to underwrite all lines of general insurance business (including Fire, Engineering, Marine, Aviation, Liability, Motor, Travel, Medical and Personal Accident). DBAC provides insurance advisory services and financial protection for all corporate entities & individuals, being a full end-to-end insurer with the following internal functions:

- Executive Management
- Finance
- Sales & Marketing
- Products
- Underwriting (Motor & Non-Motor)
- Claims (Motor & Non-Motor)
- Reinsurance
- Risk Management
- Compliance & AML
- Legal
- HR & Admin
- IT

Effectively showcasing its robust risk control framework and solid underwriting profits coupled with DBAC's extremely strong capital adequacy, S&P continued DBAC's financial rating of 'BBB+' in 2017. In addition, DBAC also successfully became the first insurance company in Qatar to be awarded with ISO 9001:2015 certification, after the external assessment conducted last year.

DBAC bears testimony to the fact that it has established itself as one of the preferred general insurance risk carriers for leading corporates in Qatar and is steadily expanding its footprint (with both Bank and non-Bank clientele). The company is empanelled by leading enterprises in Qatar as an approved insurance vendor and has one of the highest underwriting profit ratios domestically.

The winners of Doha Bank's Al Dana Saving Scheme posing with the QR 1m Mega Prize Cheque with senior officials of the Bank.

Since inception, DBAC's shareholder equity has steadily increased, due to DBAC's prudent Underwriting, Risk and ALM/investment management; with significant aspirations to increase its market share and fully optimize its return on capital, in alignment with future growth strategies.

In order to dramatically increase market share and revenue – DBAC will continue to capitalize on its strong parent branding and from identifying critical success factors; clearly articulate and execute its robust strategy. To facilitate the execution of sustainable and profitable growth, DBAC's diverse and competitive product suite caters to all Bank/non-Bank customers and is effectively integrated within its multi-channel distribution network (Retail, Corporate, SME, Project Finance, Mortgage Lending, Trade Finance, Brokers and Direct etc.)

To maximize bottom line profitability and solid sustainability, all risk management facets comprise an integral part of operational controls (incl. underwriting, claims, pricing, reinsurance, MIS, ORM & ALM etc.) and with a well-defined destination model and clear/realistic and well executed strategy, there continues to be significant growth opportunity for DBAC, even in this challenging & highly competitive insurance market.

Islamic Banking

Islamic banking services have been discontinued in 2011 further to QCB directive No. 313/273/2011 dated January 31, 2011 which prohibits conventional banks from entering into any new Islamic banking business. Doha Bank's management has decided to keep the Islamic portfolio until maturity as per the Islamic sharia contract.

Risk Management Group

Doha Bank's Risk Management Group (RMG) operates through an enterprise-wide risk management framework (ERMF). ERMF in Doha Bank sets out activities, tools, techniques and Governance structure to ensure that all identified risks are understood and appropriate measures are in place to mitigate the same. RMG consistently and continually monitors risks and processes across the organization to identify, assess, measure, manage and report on potential threats that could negatively impact the desired results of Bank's objectives. Risk Management policies, models, tools and systems are regularly reviewed/revised to improve the framework and reflect market changes. RMG reports to the CEO, with a dotted line of reporting to Board Level Audit Compliance and Risk committee, which in turn reports to the Board of Directors of the Bank. The RMG is also independently empowered to escalate issues directly to the Board and Audit, Risk and Compliance Committee.

Responsibility for risk management resides at all levels of the Bank, from the Board and the Executive Committee down through the organization to each business manager and risk specialist. These responsibilities are distributed so that risk/return decisions are taken at the most appropriate level, as close as possible to the business, and are subject to robust and effective review and challenge. The ERMF lays down a clear, consistent, comprehensive and effective approach for the management of all risks. It also sets out the key activities required for all employees to operate Doha Bank risk and control environment, with specific requirements for key individuals, including the CRO and CEO, and the overall governance framework designed to support its effective operation.

General Assembly Meeting of the Shareholders at Doha Bank.

The Board has laid down the risk appetite of the Bank since the Board and the Executive Management are ultimately responsible for all the risks assumed by the Bank. The risk appetite framework sets out the qualitative and quantitative thresholds for risk capacity and tolerance. The risk strategy seeks to balance the risk profile against sustainable returns to achieve the business goals of the Bank. Doha Bank has engaged qualified professionals, and has set out policies and procedures, limits, thresholds, authority levels, committees, review mechanism, controls and accountabilities to manage risk through a common framework.

Implementation of the Risk Management framework is entrusted to a highly competent team and is controlled and implemented through various senior level management committees chaired by the CEO - mainly in Credit, Risk, Investment and Asset and Liability Committees. In addition, the Board level committees viz. Audit, Risk and Compliance Committee, reviews the observations and findings of internal auditors, Risk management reports, external auditors, compliance and the regulators to prevent deviations.

Doha Bank recognizes every year the outstanding contribution of its employees who reach the service milestones of 10, 15, 20, 25 or 35 years.

Risk Management Committee:

A number of committees / Task Force have been established to manage various risks in an efficient and objective manner and these include:

- Executive Management committee
- Management Credit Committee
- Asset and Liability committee (ALCO)
- Risk Management committee
- Retail Credit committee

Over the last couple of years, a number of major regulatory changes have been introduced to test banks' ability to respond to severe stress conditions as well as bank's governance framework around capital planning.

Implementation of ICAAP & Stress Testing Framework as per QCB guidelines:

Banks prepares a comprehensive report on the Internal Capital Adequacy Assessment Process with all its forms and tables according to the new guidelines based on the consolidated and audited financial statements as at 30th September of each year. Each year the Bank provides QCB with this report by 15th December. Based on this report, QCB reviews and assesses the additional capital charge approved for the following year which the bank is required to maintain within the overall minimum limit of the CAR during the whole period.

The ICAAP encompasses internal assessment of material risks such as Liquidity risk, Interest rate risk, Country risk, Credit concentration risk, Sector concentration risk, Counterparty credit risk, Residual risk, Strategic risk and Reputational risk. The assessment also involves calculation of quantitative impact of these risks on capital adequacy of the bank. Furthermore, ICAAP includes capital planning and financial projections, defining and aligning risk appetite, stress testing & scenario analysis and defining the risk universe for the bank. Considering the nature of operations of the Bank and the material risks, a comprehensive assessment of capital was conducted to determine the level of extra capital required to meet such risks identified under Pillar 2.

Implementation of Capital and Recovery planning framework:

QCB instructed all the Domestic Systemically Important Banks (DSIB) in Qatar to place credible recovery actions that could be implemented to restore the DSIB's businesses to a stable and sustainable condition in the event of severe stress. In preparing recovery plans, DSIB's are not expected to rely on public funding available from QCB or from other authorities in case of severe stress or default. QCB also instructed all the banks in the country to put in place sound capital planning processes and develop detailed, comprehensive, and forward looking capital plans that are proportionate to the bank's profile and complexity. Doha Bank engaged consultants to review its Capital and Recovery plan and submitted the report to QCB.

Basel III: QCB has outlined detailed instructions for Basel III Capital Adequacy calculations in accordance with the rules of Basel Committee on Banking Supervision (BCBS). The bank has adopted Basel III framework and accordingly started reporting Capital Adequacy Ratio on a quarterly basis to QCB.

The Bank also submits a detailed Internal Capital Adequacy Assessment Process (ICAAP) document covering quantitative impact of various identified risks in the balance sheet.

At an event, Dr. Seetharaman said "Digital Currency will be the solution as a payment gateway".

Implementation of IFRS 9:

IFRS 9 introduces a new impairment model which results in the early recognition of credit losses in contrast to the previous standard which required the recognition of losses when incurred. The new accounting standard provides guidance in the following three areas;

1. Classification and Measurement of financial instruments
2. Impairment of financial statements
3. Hedging

Under the new model, the Bank is expected to maintain provisions against all financial assets that are debt in nature (including placements, investments, trade receivables, loans and advances and off balance sheet items) upon initial recognition (i.e. day 1 of recording). This will also include healthy assets that are expected to be recoverable in full.

The QCB has issued its regulatory implementation guidelines of IFRS 9 with the instruction to the Banks to calculate Expected Credit Loss (ECL) and submit an impact analysis of adopting IFRS 9 on the assets classified under stage 1 and stage 2 of the ECL model based on 30 June 2017 figures.

Dr. Seetharaman and representatives of Doha Bank at the SIBOS conference in Toronto.

Doha Bank's IFRS 9 Implementation progress

The Bank has engaged external consultant firm to assist in preparation for meeting the requirement of IFRS 9: Financial instruments as well to ensure compliance with the instructions issued by the Qatar Central Bank.

- The Bank's senior management set up a Steering Committee in accordance with the requirements of the QCB mandate, to oversee the IFRS 9 implementation. The Steering Committee is chaired by the Bank's CEO and comprised of the Chief Risk Officer, Chief Financial Officer, the Chief Internal Auditor, Chief Compliance Officer and Head of IT. Amongst other matters, the Steering Committee is responsible for making judgments where policy decisions were required, develop a granular transition plan for the implementation of IFRS 9 and ensure adherence to the plan. The Steering Committee meetings convened on a bi-weekly basis since the commencement of the project.
- The adoption of IFRS 9 will bring about certain changes to the business processes and policies of certain functions within the Bank, including the finance, risk, IT, etc. and the way these departments collaborate in the Bank's adoption and implementation of IFRS 9. This will also require the amendment of certain policies of procedures to include guidance on IFRS 9 implementation. The policies and procedures of the Bank that may revised include the credit manuals, collateral management, IT support, finance manuals.
- IFRS 9 also requires extensive qualitative and quantitative disclosures around the expected loss model adopted by the Bank including the assumptions, inputs and techniques used for estimating the expected credit losses, the provision movement and additional credit risk disclosures.
- IFRS 9 requires the involvement of those charged with governance and senior management to ensure that the Bank has appropriate credit risk practices including an effective system of internal control, to determine adequate expected credit loss (ECL) allowances in accordance with IFRS 9 as well as the bank's stated policies and relevant QCB regulatory guidance.

The major risks associated with the banking business have been discussed in detail in the following sections:

Strategic Risk: This risk can arise from adverse business decisions, poor implementation of decisions, absence of clearly defined strategic business direction and goals; failure to have adequate product programs, inadequate preparations for continuity of business should disaster strike, and incorrect assessment of external factors. The Bank has mitigated these risks by implementing a well-defined strategy and growth plans. In addition, the Bank's Disaster Recovery Plan (DRP) has been well-documented, and detailed manuals have been made available to the employees. The employees are regularly updated on the developments through ongoing training, education and system updates.

Reputation Risk: It is a risk of loss resulting from damages to a firm's reputation due to failure to meet stakeholder expectations. This could arise as a result of behavior, action or inaction, either by Doha Bank itself, our employees or those with whom we are associated. It could lead to lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value. We have a zero tolerance for knowingly engaging in any business, activity or association where foreseeable reputational risk or damage has not been considered and mitigated.


Dr. R. Seetharaman with dignitaries during the Knowledge Sharing Session on Qatar-Bangladesh bilateral relationships.

This risk could arise from poor customer service delivery, a high incidence of customer complaints, non-adherence to regulations, imposition of penalties and adverse publicity in the media. The Bank has established customer service units and call centers to monitor the services rendered through its delivery points and undertakes timely corrective measures. Additionally, the Bank has a robust Compliance Department, which is responsible for monitoring stringent compliance on all regulatory provisions stipulated by the

QCB and other regulatory authorities, wherever applicable. The department also creates awareness of the related regulatory circulars among staff and provides guidance on business decisions that could have regulatory implications.

The Executive Management Committee provides bank wide oversight on reputational risk, sets policy and monitors material risks that could have negative reputational consequences. At the business level and across its subsidiaries, overseas branches and representative offices, the relevant Senior Management is responsible for the management of reputational risk in their respective business / functional operations.

Dr. R. Seetharaman, CEO of Doha Bank, with other officials and dignitaries at Doha Bank's Knowledge Sharing Session in the UK.

Legal Risk: Legal risk is the possibility of loss resulting from the Bank's failure to comply with local laws, breach of ethical standards and contractual obligations with counterparties or customers. The Bank also faces the risk of litigation due to unenforceable contracts with vendors, counterparties or regulators. The Bank maintains a qualified team of legal advisors, in addition to a couple of International Law firms on the panel, who are responsible for validating all the Bank's agreements. They also review the legal implications of standard / specific documents for all the Bank's products and services that are being offered to customers and counter parties.

Credit Risk: This refers to risk arising from the potential that an obligor is either unwilling to honor his/her obligation or has become unable to meet such obligation, which leads to economic loss to the bank or the possibility of losses associated with diminution in the credit quality of borrowers or counter parties and/or in the value of the collateral held by the Bank as security.

Identification, measurement and management of risk are strategic priorities for the Bank and its credit risk is managed by a thorough and well-structured credit assessment process complemented with appropriate collaterals wherever necessary and continuous monitoring of the advances at account and portfolio levels.

Although the overall responsibility for managing the risks at macro level lies with the Board, the responsibility for identifying risk in Bank's credit exposure is entrusted to the Management Credit Committee. The Management Credit Committee shall review and decide on the following:

- The extent to which the Bank should assume credit risk, taking into account the capital base, the Bank's ability to absorb losses, the risk-reward ratio, probability of default etc.;
- The credit portfolio, including concentration trends, provisions, quality of portfolio and requirements vis-à-vis credit strategy and risk appetite;
- Portfolio concentration limits against Regulatory and Internal Limits set for counterparties, industry sectors, geographic regions, foreign country or class of countries, and classes of security;
- Business strategies to ensure consistency with the Bank's business/growth plan and other asset/liability management considerations;
- Significant delinquent credits (watch list and under settlement accounts) and follow up actions taken to safeguard the interests of the Bank;
- Adequacy of loan loss provisioning requirements;
- Establishment of an authorization structure and limits for the approval and renewal of credit facilities;
- Detailed credit policies, procedures and guidelines, proper segregation of duties, well defined authority matrix for credit approval and periodic audit and examinations by internal and external auditors to ensure that a rigorous environment of checks and balances exist within the Bank
- In order to take the bank to the next stage, to comply with IFRS 9 and Basel Accords, the Bank has decided to acquire a predictive scoring model for retail credit to enhance the due diligence process. The Bank has already initiated the induction process with the plan to implement the model by Q2 2018.

Mr. Rashid Al Mansoori, CEO of Qatar Exchange, Dr. Seetharaman, CEO of Doha Bank, and other officials, announce the QETF in New York.

Credit Risk Management (CRMD) Structure:

The CRMD function is independent of the business functions, which include policy formulation, underwriting, technical evaluation and limit setting, exposure and exception monitoring, portfolio analysis, classification of advances and compiling reports for the management.

The key objectives of CRMD are to ensure:

- Bank-wide credit risks are identified, assessed, mitigated (wherever possible), monitored and reported on a continuous basis at customer and portfolio level;
- The Bank's exposure is within the risk appetite limits established and approved by the Board of Directors, which covers group and single obligor limits, borrower ratings, portfolio analysis, counter party limits and concentration of the limits to effectively measure and

manage its credit risk;

- Review and assessment of credit exposures in accordance with the authorization structure and limits prior to facilities being committed to customers;
- Ensure completion of documentation and security creation through Legal Risk Advisor as per approval terms before release of credit facilities to the clients.
- Monitoring the concentration of exposure to industry sectors, geographic locations and counter parties;
- Proactive and dynamic monitoring of the accounts as to the quality of the assets and to spot any adverse features/warning signs which can eventually lead to deterioration in the recovery prospects.
- Engage the Business Units at an early stage itself to take corrective steps so that the exposure does not become unmanageable.
- Review of compliance with exposure limits agreed for counter parties, industries and countries, on an ongoing basis, and review of limits in accordance with the risk management strategy and market trends;
- Prior to launching of new products, vetting the business proposals from risk perspective especially in light of delinquent reports.

Dr. R. Seetharaman at the International Arab Banking Summit in 2017.

REMEDIAL ACCOUNT MANAGEMENT

Doha Bank has a disciplined and vigorous remedial account management process. Effective workout programs are critical to managing risk in the portfolio, it is important to segregate the workout function from the area that originated the credit.

Doha Bank has established a robust portfolio monitoring process by creating a Remedial Asset Management Unit to act jointly with business units in order to prevent further deterioration in Corporate and SME accounts. This includes facts finding, clients meetings and visits, negotiating rescheduling deals and settlement proposals with customers and carrying out "Defect Analysis" for special mentioned accounts recommended to downgrade to NPL and to ascertain the reasons for delinquency. The outcome of defect analysis is shared with business units to learn lesson for default. Findings of Defect Analysis also triggers revisit of lending norms based upon delinquency trends to ensure booking of quality assets in future.

Doha Bank named "Best Trade Finance Bank in Qatar" at Global Finance Awards 2017.

The objective of this unit is as follows:

1. Reconsider the Bank's position with the borrower.
2. Analyze the financial and economic condition of the borrower and its forecasts.
3. Proactively undertake restructuring and rescheduling of distressed loans.
4. Suggest appropriate measures to turnaround, restructure, rehabilitate with the objective of eventually upgrading delinquent accounts.

DEBT RECOVERY DEPARTMENT

Non-performing loans seriously affect profitability of the Bank. Some borrowers do not follow discipline of payment of their loans and default, while others fail due to numerous reasons beyond their control. Profitability of the Bank gets negatively impacted when loans become non-performing resulting in not only suspension of interest income but also forces to create loan loss provision from the income of the Bank. Moreover, Non-Performing Loans (NPL) reflects badly on the image of the Bank. Thus recovery of stuck-up loans is a major concern for the Bank.

The Debt Recovery function of the Bank handles non-performing loans/ portfolio with a clear objective to recover stuck-up loans and advances to contain NPL ratio and to increase the profitability through reversal of provision and suspended interest.


Doha Bank hosted a Knowledge Sharing Session on "Qatar – Land of Opportunities" during the year.

Liquidity Risk: Liquidity risk can be defined as the potential inability of the Bank to meet its maturing obligations.

Liquidity risk is inherent in banking operations and liquidity planning and management are necessary to ensure that the Bank meets its obligations at all times. The Treasury division, in conjunction with other departments, manages the liquidity on a daily basis. ALCO, which meets regularly, sets the broad framework for Treasury to operate so that the Bank is always in a position to meet its financial commitments. During crisis, the bank's ability to manage liquidity requirements could be impacted due to increased cost of funds or accessibility to wholesale funding. Moreover, any market disruption may impact liquidity of investments. Doha bank has a comprehensive Liquidity Management framework for managing the liquidity risk. The framework sets the group's risk appetite for liquidity risk by setting limits and benchmarks.

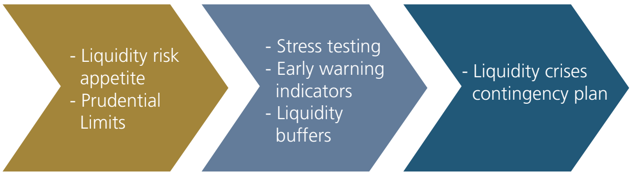
Dr. Seetharaman delivers his keynote during a seminar at the College of North Atlantic.

The Bank's approach to manage the liquidity risk is to ensure that it has adequate funding from diverse sources at all times. Diversification of the Bank's depositor base, reducing dependence on large depositors for reducing concentration risk and maintaining a suitable mix of long, medium and short term deposits including low-cost deposits are some of the measures that the Bank is regularly taking to maintain a suitable deposit base. The Bank relies on many quantitative indicators and forecasts to manage its liquidity risk positions.

The Bank maintains sufficient high quality liquid assets, which can be liquidated at short notice to raise cash, if required. The bank's liquidity policy requires the bank to maintain a pool of liquid assets which can be accessed at the time of liquidity crises. The Bank also has in place credit lines with several international banks to make funds available in case of need. The Bank's liquidity position is subjected to diverse stress scenarios in order to evaluate the impact of unlikely but potentiality plausible events on liquidity and regularly evaluated by ALCO. Scenarios are based both on historical and hypothetical events. The results obtained from such stress testing provide meaningful input when defining target liquidity risk positions.

In addition, the Bank maintains a Contingency Liquidity plan, which details how liquidity stress events would be managed during a crisis situation. Post diplomatic crisis, we have submitted Liquidity Contingency Plan to QCB for remaining period of the year to mitigate liquidity risk. Since nature of any such event cannot be ascertained in advance, the plans are designed to be flexible and hence provide various options that could be used during liquidity crisis situation. The bank has also implemented an Asset-Liability Management system, which provides further guidance towards the Bank's balance sheet management.

The tools under Bank's Liquidity risk framework could be summarized as below:



QCB through its guidelines issued in 2014 and 2015 has mandated all the banks in Qatar to comply with Liquidity coverage ratio (LCR) and Net stable funding ratio (NSFR). Doha Bank ensured compliance with LCR and NSFR ratio reporting implementation in line with QCB instructions. QCB has issued final guidelines for maturity ladder in August 2016 for monitoring liquidity mismatch and accordingly the Bank has set up the liquidity gap limits.

Market Risk: This is the risk of loss arising from unexpected changes in financial indicators, including interest rates, exchange rates, as well as equity and commodity prices. Bank has an active Management Information System (MIS) to keep the Management and the Investment Committee informed about the changes in market risks and their effects on the Bank's financial results. The prominent market risks affecting the Bank are currency risk and interest rate risk, which are detailed below.

Currency Risk: The major foreign currency to which the Bank is exposed is the US Dollar. The established parity between the US Dollar and Qatari Riyal substantially reduces this risk unless the parity between the two currencies is revised or removed altogether. To control currency exposures, the Bank has the following measures in place:

Doha Bank offers Financial Support to Qatar Society for Rehabilitation of Special Needs.

- Net open position in various currencies are reported to ALCO regularly while evaluating proposals and also as reports. As per QCB Circular 27/2016 on Balancing Currency Position, timeline to comply with maximum NOP of 25% for USD and 5% for other currencies of total capital and Reserves were given to all banks by April 2017. The Bank is constantly monitoring the NOP situation and taking steps to reduce such balances as soon as the liquidity improves in the local market.
- Intraday and overnight limits have been set up for each currency;
- Stop loss limits have been setup for Foreign Exchange proprietary trading;
- Currency exposure is monitored daily;

- Currency gap analysis is produced at month end – it includes forward purchases and sales;
- A report on total foreign currency assets and liabilities excluding contingent exposure is produced daily;
- Transaction limits have been set up for foreign exchange dealers to avoid excess exposure; the limits are monitored on online real time basis.
- All outstanding Foreign Exchange exposure – including spot, swap and forwards - is revalued daily.

The Doha Bank Annual "Beach Clean-up" event.

Interest Rate Risk: This risk largely arises due to the probability of changes in interest rates, which may affect the value of financial instruments or future profitability. It is evaluated from two different perspectives: with respect to the Fixed Income Investment Portfolio of the Bank, and with respect to the entire Bank's Assets and Liabilities.

Interest Rate Risk of Fixed Income Portfolio arises from fluctuating interest rates, which contribute to the change in the Fair Value of the Fixed Income Investment Portfolio of the Bank.

The Bank's Bond Portfolio is analyzed daily, and its interest rate risk is based on the portfolio modified duration. Bank keeps its portfolio duration within its risk appetite. The risk department analyzes each investment proposal separately, and potential market risks are identified and mitigated before placing the proposal for Investment Committee review and approval. The Bank's hedging policy sets the framework to be followed for hedging the interest rate risk if certain thresholds are triggered.

Doha Bank hosts Suhoor banquet for Clients.

Bank-wide Interest Rate Risk: The Bank is exposed to interest rate risk as a result of mismatches or gaps in the quantum of Assets and Liabilities and Off-Balance Sheet instruments that mature or re-price in a given period. Since most of the Bank's financial assets such as loans and advances contain an option to re-price, majority of the bank's interest rate risk is hedged naturally due to simultaneous re-pricing of deposits and loans.

Further, the Bank manages the interest rate risk by matching the re-pricing of the assets and liabilities through various means and by operating within the set gap limits. Foreign currency loans are linked to the London Interbank Offered Rates (LIBOR – which is among the most common of benchmark interest rate indexes used to make adjustments to adjustable rate mortgage) and are re-priced regularly to reduce the inherent interest rate risks.

Additionally Interest rate Risk on Banking Book Pillar 2 Capital Charge is required to be calculated for 200 bps change in interest rates as per NII (Net Interest Income) and EVE (Economic value of equity) approach as defined in the QCB circular (ICAAP) of March 2016. The Bank will also complete the implementation of Earnings at Risk (EAR) and Economic Value of Equity (EVE) in the coming days.

H.E. Mr. Abdulla Al-Hamar, Ambassador of Qatar to Singapore, addresses the audience at an event in Singapore.

Stress testing: Bank wide stress tests form an integral part of the risk review process and provide sufficient insight into the financial health and risk profile of the bank. Stress tests also provide early warning signs of potential threats to the Bank's capital. Doha Bank adopts a comprehensive stress testing framework in line with QCB instructions. The stress testing policy of the Bank is aligned to risk appetite and works towards regulatory and internal stress test models. The internal models supplement the regulatory models and measure impact of changes in macroeconomic indicators on various parameters including but not limited to:

- Asset quality during crises
- Concentration risk
- Liquidity risk including liquidity buffers
- Interest rate risk
- Market risk in investments
- Currency risk
- Collateral coverage under falling real estate prices scenario
- Regulatory ratios under crises situations

In particular, the bank measures the impact of different stress scenarios on its capital adequacy ratio, net interest margin, profit after tax, return on assets, liquidity asset ratio and additional liquidity requirements. The stress testing process is regular, detailed and uses both plausible and severe scenarios. The results of these stress tests are shared with ALCO on monthly basis and QCB on semiannual basis. Internal stress testing framework is revised based on QCB requirements defined in the QCB circular (ICAAP) issued in March 2016 which includes enterprise wide stress testing and reverse stress testing.

Doha Bank and MasterCard drive inclusion with a Payroll Solution.

Operational Risk: Operational Risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Group is exposed to many types of operational risk. This includes:

- internal and external fraudulent activities;
- inadequate processes, controls or procedures or any breakdowns in them;
- failures in the key systems of the Bank leading to disruption of services;
- an attempt by an external party, to make a service or supporting infrastructure unavailable to its intended users, and
- the risk of cyber-attacks which destabilizes or destroys the Bank's information technology;
- risk of business disruption arising from events wholly or partially beyond control, for example, natural disasters, acts of terrorism or utility failures etc. which may give rise to losses or reductions in service to customers and/or economic loss to the Group.

Dr. Seetharaman receives the "Best Manager of Year for Excellence in Quality in Banking" at the International Conference Excellence in Quality event in Switzerland.

The operational risks that Doha Bank is exposed to keeps on changing and the Bank endeavors to rapidly adapt to those changes to avoid the risk of losses.

In the current scenario, one of the top emerging risk is "Threat from Cyber Attacks". The Bank, may be a target of cyber-attacks which could jeopardize the sensitive information and financial transactions of the Bank, its clients, counterparties, or customers, or cause disruption to systems performing critical functions. This could potentially have below two impacts:

- regulatory breaches which could result in fines and penalties; and
- significant reputational damage which could adversely affect customer and investor confidence in Doha Bank

However, to mitigate the above risks Doha Bank has taken various measures to secure our Bank's IT infrastructure. The key steps taken by the Bank in this direction are as below:

- The Bank has laid out a roadmap to enhance control framework and technology infrastructure to strengthen our ability to prevent, detect and respond to the ever increasing and sophisticated threat of cyber-attacks;
- Protection of sensitive information is being the utmost priority for the Bank and it has High Level Management committee for review and monitoring the Information Security posture of the Bank;

Dr. R. Seetharaman receiving the "Golden Peacock Award for Corporate Social Responsibility" from the Institute of Directors.

- As mandated by Qatar Central Bank (QCB), Doha Bank has actively participated in Cyber Security Maturity Assessment by Third party and complied most of the requirements in the initial year of assessment (2016). During this year, the Bank has improved compliance with the most of the remaining requirements. Considering the changing cyber threat landscape and multi-tiered/ multi-vector attack patterns, Doha Bank has developed cyber security strategy for coming two years to ensure secure Banking channel for the customers.
- The Bank has realigned the Information Security Governance architecture across the Board for effective cyber and information risk management and initiated various security improvement programs within IT infrastructure and process.

Dr. Seetharaman speaking during Fourth Conference on Information Security for the financial sector.

The prime responsibility for management of operational risk and the compliance with control requirements rests with the business and functional units where the risk arises. The Bank has a well-defined operational risk framework and an independent operational risk function. It is responsible for establishing and maintaining the Operational Risk Management Framework and monitoring the level of operational losses and the effectiveness of the control environment. The Head of Operational Risk is a member of the Risk Management Committee and reports to the Chief Risk Officer. The 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.

The Bank has detailed policies and procedures and Operational Risk Management tools that are regularly updated to ensure a robust internal control mechanism for the Bank. The Bank is closely reviewing the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation. The Bank 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. There have been significant efforts to streamline operational risk management processes, procedures and tools to provide more forward-looking risk insights and strengthen the control culture in the organization

Doha Bank honoured at Asian Banking and Finance (ABF) Wholesale Banking Awards.

During the year 2017, ORM System was implemented to support operational risk identification and assessment, control evaluation, loss management, issue remediation, KRI monitoring, and risk reporting activities. The system enabled the Bank to replace the manual and silos ORM processes with a highly automated, efficient, and collaborative approach. The ORM system assists in gathering and transforming operational risk data into critical risk intelligence to strengthen decision-making.

In addition, the Internal Audit department carries out an independent assessment of the actual functioning of the overall Operational Risk Management Framework. Each business segment must implement an operational risk process which is consistent with the requirements of this framework.

Dr. Seetharaman at a Knowledge Sharing Session on "Qatar-US Bilateral Opportunities" in New York.

The key steps in management of Operational Risk are described as follows:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, process of introducing new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by Doha Bank to manage the bank-wide operational risk;
- Investigation and Reporting of any risk event (losses, near misses and potential losses), which is used to help identify the root cause and lay down the corrective action plans to reduce the recurrence of risk events. Risk events are analyzed to identify the root cause of incidents, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors;
- Preparation of '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 Bank. Therefore, it enhances the determination of specific operational risk profile for the business units while corrective action points are captured and the changes on the operational risk profile is monitored on an ongoing basis.

Doha Bank officials with SME customers at a Breakfast Meeting on the theme "Financial & Business Solutions for SMEs".

Doha Bank categorizes Operational Risks into the following risk types for self-assessment process:

- Origination and Execution Risk
- Fraud Risk
- Business Continuity Risk
- Regulatory Risk
- Information Security Risk
- Vendor Risk
- Financial Reporting and recording Risk
- Staff Risk, and
- Transaction Processing Risk

The Bank's blanket insurance policy adequately covers high severity losses and stress losses.


Dr. Seetharaman receiving the "Energy and Environment Foundation 2017 Global Excellence Award" at a Renewable Energy conference in New Delhi.

DB Business Continuity Management:

Doha Bank is committed to ensure that all critical business activities are maintained during disruptive incidents. Business Continuity Management (BCM) scope is to cover Doha Banks critical business units, staff and vendors/ partners who are engaged in Banks operation both directly or indirectly.

Doha Bank's regional Business Continuity Management Policy and Plans documents has been developed with the objective to ensure that our key operations will continue to function and our customers' accounts will be secure and accessible regardless of the incident scope. In the event of a prolonged disruption to our branches or facility premises, our BCP provides an alternate work locations, where we will continue to provide the best service possible. (All local & international branches and HO premises are identified with alternative work locations)

Our Business Continuity planning handles critical data backup, protection and recovery; protecting people and assets; communication arrangements to contact customers, employees, and regulators; alternate work location for employees; Identification of critical supplier and assuring our customers prompt access to their accounts if we are unable to continue our operations.

DB Business Continuity Management Readiness:

1. All critical business units' readiness via BCM mock drills have been tested at our alternative work sites.
2. Doha Bank staff are trained on business continuity and Crisis Management handling.
3. All critical applications source codes are protected via escrow process outside the country.
4. Emergency Communication tool is available for crisis communications.

Business Interruption (BI) insurance has been obtained to protect our business against catastrophic events.


Dr. Seetharaman at the 2nd SME conference organized by Qatar Chamber of Commerce.

International Rating

Below is the summary of Doha Bank's rating from International Rating agencies as on 31st December 2017:

Rating Agency	Foreign Currency LT	Foreign Currency ST	Local Currency LT	Local Currency ST	Financial Strength / Viability / Baseline	Support	Outlook
Capital Intelligence	A+	A2	-	-	A	2	Stable
Moody's	A2	P-1	A2	P-1	baa3	-	Neg
Standard & Poor's	A-	A2	A-	A2	-	-	Neg
Fitch	A	F1	A	F1	bbb	1	Neg

International Rating Agencies have maintained the usual strong ratings, recognizing the Bank's strength and performance.

Ahmed Al Henzab (left), Head of Administration at Doha Bank; handing over the aid to Saad Shaheen Al Kaabi (centre), Director of Resource Mobilization Department; and Hamid Moharrar, Head of Corporate Relations at QRCS.

Doha Bank Recommends the Distribution of 30% of the Paid-up Capital as a Cash Dividend to the Shareholders for the Year 2016.

Dr. R. Seetharaman, CEO of Doha Bank, felicitating employees during the Monthly Employee Recognition Awards.

Doha Bank's Annual ECO-Schools Programme aims at encouraging students and school across Qatar to contribute to the protection of the environment.

Information Technology

The Bank's Information Technology (IT) division has been a major contributor in aligning people, process and technology to bring major transformation to the way the Bank operates. The division is responsible for developing the Bank's IT strategy and the delivery of all related services to employees and customers. Doha Bank has undertaken several transformational initiatives through innovation and utilizing cutting edge technology to support the needs of our customers.

Doha Bank has incorporated technology as an innovation driver to provide state-of-the-art products and services to its customers and has leveraged state of the art technology to bring increased efficiency and effectiveness to its service delivery. Doha Bank has been a pioneer and is renowned as prime mover of banking technology and has provided its customers with several innovative products and 'firsts' in the country.

The Bank is supported by highly efficient and qualified IT resources for delivery of technology projects and to support its technical architecture to maximize availability, scalability, reliability, security and manageability. Doha Bank's Information Security Management System (ISMS) ensures the confidentiality, integrity and availability of the information assets of the Bank through the implementation of various controls and processes of global standards. The network and security architecture is built to ensure maximum security covering end point security solutions, application firewalls, intrusion prevention systems and virtual private network with encryption of its internal and external communication networks. Doha Bank has resilience in its network to ensure high-availability and auto-failovers for continuity and uninterrupted delivery of services.

Doha Bank CEO with dignitaries at the Knowledge-Sharing event on "Qatar-Kuwait Bilateral Opportunities" in Kuwait.

In line with its strategy, the Bank continues to deliver Digital Transformation projects to improve customer services and make available self-service anytime/anywhere banking channels. As part of this Digital Transformation, Doha Bank has enhanced its mobile banking channel with new look and feel and also provided multi-language support in order to enhance customer experience and services. In addition to the above, Doha Bank has also revamped its online portal for Retail and Corporate customers to provide all customer segments enhanced customer experience and enhanced security. The Bank's IT and business partnership is focusing on end to end straight through processing which is going to further enhance the customer experience overall and bring cost efficiency.

Dr. Seetharaman at a Knowledge Sharing Session titled "Qatar-Canada Bilateral Opportunities" held in Toronto.

Carrying on the theme of innovation and increased convenience for our customers, Doha Bank has launched Whatsapp and Facebook chat services making it much easier for customers to contact the bank.

Doha Bank has also completed an ISO27001 certification review and aiming to have this certification achieved in 2018. This is testament of Doha Bank commitment towards information security and implementation of standards to secure customer information. Doha Bank was the first organization in the GCC to have achieved the ISO/IEC 20000 certification for its IT Service Management System in 2007.

For the 10th year in a row, Doha Bank achieved recertification to ISO20000-2011. Doha Bank is also proud to be the only financial institution in the country to be accredited with this award. Doha Bank also became the first bank in Qatar to achieve accredited certification for ISO 9001:2015, the newly revised international standards for Quality Management systems. These certifications demonstrate the Bank's commitment to high standards of integrity within its processes and procedures and its aim to always achieve world class benchmarks in operational risk management.

Doha Bank was also honored in 2017 with 'MEA Architecture Excellence Award' from ICMG. This award is to recognize Doha Bank's major IT infrastructure transformation project to implement the latest technology to bring agility and pace to its transformation plans and to further enhance the services we provide to our customers.

The Bank has provided its customers with new innovative channels for e-banking and m-banking which include ATMs, Cheque and Cash Deposit Machines using the latest technology. This has been a key differentiator and has given the Bank an edge over its competitors.

In 2018, the bank will build on these strong technology foundations to provide more convenience and exciting products to its customers using the latest digital technology and Fintech solutions. It will also use these technologies to streamline its internal process to create enhance value for staff, customers and shareholders.

Dignitaries inaugurating the new branch of Doha Bank at Mall of Qatar.

More will follow in 2019 and beyond, as the Bank continues to implement its medium term plans based on utilizing the latest technology. These will bring a stepped change to the way the bank operates providing market leading customer service and products, greater operational efficiency and enhanced security to its operations.

Human Resources

Human capital development and employee engagement have always been one of the key priorities for Doha Bank. Within the corporate guidelines, every business partner is responsible for 'people management' within the unit. Professional support is provided by the Human Resources (HR) Department of the Bank.

Doha Bank is highly committed to Qatarization, which is a prominent aspect of its corporate objective. With a view of grooming future leaders amongst the Qatari nationals, the Bank implemented various initiatives, designed various programs and strengthened on the existing initiatives to attract and retain Qatari resources. Qatari Career Development has been given more focus with a view of grooming Qataris in the bank.


Mr. Abdul Rahman A. Al Ansari, CEO of QIMC, with DR. R. Seetharaman, CEO of Doha Bank, after signing the term loan agreement.

Equal Employment Opportunity and Diversity are key variables, which are woven into each step of the recruitment process at Doha Bank. Doha Bank's experienced recruitment team ensures through careful evaluation that well qualified and suitable candidates are selected for each role and team. To attract local as well as international talent and to strengthen employee branding, the bank uses recruitment channels such as Doha Bank's Career Website, Advertisements, Internal Referrals, Overseas Recruitment Drives, Social Network / Media. For assessment of a good quality and high potential candidate, Psychometric Testing skills are also applied.

One of the key achievements of Doha Bank over the years has been the high level of employee satisfaction. Doha Bank believes in creating an environment where employees enjoy working and striving towards excellence in every aspect of their roles. The key word for successful employee engagement is 'Association'. The bank strongly believes employee engagement is of high importance and mutually beneficial to employees as well as the bank. Employees are encouraged to participate in events that are organized by the HR Department that require physical, emotional as well as intellectual involvement. During the course of the year, Bank sponsors several social activities such as Knowledge Sharing sessions, Sports Activities, Blood Donation drives, Recognition Awards and Long Service Awards.

In line with Doha Bank's commitment to high performance and green banking, HR strives continuously to implement the latest electronic solutions by providing efficient online services, thereby increasing productivity and encouraging a paperless environment.

Doha Bank's officials along with dignitaries at "Tamim Al Majd" branding.

In previous years, Doha Bank's learning strategy has clearly communicated that learning is critical to the bank's success. Leaders take an excellent leading role in creating and sustaining a supportive learning culture in Doha Bank. The bank uses interactive training programs to encourage learning and sharing of experiences and knowledge. Annual training goals are set for employees to encourage continuous learning and development. Knowledge and Learning Skills of Doha Bank Employees are the most important assets to realize its ambition.

Corporate Social Responsibility (CSR)

Doha Bank is one of the leading integrated financial institutions in the GCC and one of the most active advocates of Corporate Social Responsibility (CSR), constantly supporting environmental protection, engagement with community, stakeholder groups and sustainability practices. Building upon decades of strong commitment to environmental issues and community engagement, Doha Bank is the first financial institution in Qatar to issue an annual Sustainability Report explaining its approach to stakeholder engagement including the environment.

Dr. Seetharaman handing over QR 1mn to Xavier 'Xavi' Hernandez Creus, the winner of this year's third Al Dana draw, at Doha Bank's branch in Mall of Qatar.

As a fundamental aspect of the Group's CSR Charter, the Bank strives to incorporate the values and ethics of sustainability into its everyday operations, in the use of environmentally efficient business practices and overall products and services that reduce the impact on the environment and in coordination with all sectors of the society to address the issues both in the local and global settings. This is one of the main reasons why Doha Bank has successfully won the 'Golden Peacock Global Award for Corporate Social Responsibility' for many years. This award is also in recognition of Doha Bank's society-driven initiatives like educational, health benefits and commitment to social causes, which has seen it introduce innovative products even during tough market conditions resulting from the global financial crisis.

As a pioneer in raising awareness for environmental and climate change issues in Qatar, the Bank's vision is to lead the way as a Green Banking institution in encouraging account holders to opt for Paperless Banking, Green Accounts and 'Go Green' Credit Cards. Alongside these products, the Bank has become the leading bank in Qatar and the Middle East for environmental advocacy through numerous CSR initiatives. Doha Bank is proactively hosting and conducting green-related activities to promote customer participation and engaging the society's eco-consciousness by encouraging them to go green and support the environment.


Dr. Seetharaman with dignitaries at a Knowledge Sharing Session on Qatar-Mexico ties.

Doha Bank's ECO-Schools Programme is dedicated to the environment and encourages schools to proactively participate in the implementation of good environmental practices. The overall objective is to increase eco-consciousness and support children to become environmental advocates at a young age. The programme guides, assists, supports and works with the student action teams within schools on their journey towards sustainability by providing a framework to help embed these principles into the heart of students. It offers flexibility, allows creativity and encourages innovation on how the school plans to transform itself into becoming an eco-friendly institution.

The ECO-Schools Programme is an ideal way to deliver ECO-curricular activities for the next generation, which provides a creative learning environment for children to become resourceful, innovative, artistic, and proactive in saving the environment through various educational methods and approaches whether at school, home or society at large. The academic value gained from hands-on experimental learning will assist establishing valuable information as a simple step to make a big difference. Apart from Qatar, Doha Bank is working on introducing the ECO-Schools Programme in Kuwait as well.

Part of the Bank's social responsibility is to support ambitious students and the youth in general, which was also applauded by Kuwait's Minister of Commerce. Doha Bank envisions the school children to become young leaders in promoting environmental awareness and the schools continuously endeavoring to become eco-friendly advocates for a better world by empowering them to make a difference for the environment and the society.

Dr. Seetharaman addresses the audience after receiving "Golden Peacock Award for Sustainability in Financial Sector" in London.

Doha Bank now looks forward to a promising future, with better banking experiences for its customers, better returns for its shareholders and an even more progressive and prosperous environment for its employees. Doha Bank, as one of the main pillars supporting sustainable development in Qatar, was also recognized as one of the proactive supporters on Clean and Green Qatar Programme, School Exhibition for Arabic Schools in coordination with Ministry of Education, Climate Change - School Competition in coordination with Qatar Petroleum DG/HSE, promoting the ECO-Schools Programme to schools in the State of Qatar. Green activities provide a venue for building global awareness, cooperation and participation of international organizations and companies specialized in environment technologies and sustainable energy.

The Board of Directors of Doha Bank has reiterated their continued support for environmental development, which will eventually support the development drive in the country as a whole. Doha Bank also looks forward to increasing its role in preserving the environment and supporting the endeavors of other national organizations aimed at curbing the deterioration of environmental systems and preserving the changing as well as the unchanging resources. It is customary for Doha Bank to find itself occupying a distinguished position in the programs drawn up for celebrating the Qatari Environment Day as it is at the core of the strategies designed for protecting the health and safety of humans as well as their environmental security.

Doha Bank maintains a well-defined Environmental Policy with the principles of 'Reduce, Reuse and Recycle'. Doha Bank has reached out to the larger community through its long standing CSR activities where it is committed to raise awareness on environmental issues and focus on the economic challenges facing the world and the region. Some of the Initiatives to support the State of Qatar's 'Go Green Qatar' are:

- Dedicated Green Bank Website
- ECO-Schools Programme
- Beach Clean-up
- Green Accounts and e-Statements, Environment-friendly and Biodegradable Credit Cards, Paperless Banking
- Green Banking Task Force Committee
- ECO-Schools Committee
- Participation in Earth-related global event
- Annual Marathon - Al Dana Green Run
- Public Awareness Campaigns through ATMs
- Green Forms
- Green System for Auto-shutdown of PCs
- Recycling of Papers
- Use of natural lighting, LED lights, power stabilizers, auto-shutters, etc.

Dr. Seetharaman receiving the "Best Regional Commercial Bank" for the fifth time in a row at the Banker Middle East Industry Awards 2017.

Thousands of runners took part in the 13th edition of one of the biggest CSR events in Qatar dedicated to 'Tamim Al Majd' campaign.

A dedicated Doha Green Bank website (www.dohagreenbank.com) is available on the internet showing the Bank's various initiatives taken, planned activities, projects, products and services. It also includes other environment-related articles and video clips. Planned activities are lined up such as Tree Planting, Adopt-a-Beach campaign, Recycling and Waste Management programs. Promotional flyers, brochures were designed with a catchy phrase, "GO Green with Doha Bank! It's simply the right thing to do!" to convey its message to the public and gain joint-effort cooperation amongst various sectors of the society for a better world.

Thousands turn out for Doha Bank's Al Dana Green Run - 13 years in a row.

Doha Bank has taken various proactive measures in addressing global warming and its ramifications. It is propagating energy saving as a corporate habit. The Bank encourages ideas from staff on energy savings and suitably rewards them. Doha Bank is committed to being a carbon neutral entity. The departments at the Bank were encouraged to practice energy efficiency in their respective premises by switching off the lights, air conditioning system and other office equipment when not in use, conserve water, carpooling, eliminating usage of non-biodegradable materials, encourage recycling and proper waste disposal and buying of fair-traded and environment-friendly goods. These are small steps that will make a big difference.

Dignitaries during ribbon cutting at Doha Bank's new branch in Doha Festival City.

ECO-consciousness is integrated into Doha Bank's daily operations through knowledge sharing, paperless banking and awareness campaigns on social responsibility to gradually instill the value of 'green culture' within the organization. The Electronic Banking products and services of Doha Bank greatly help reduce paper usage/wastage, reduce carbon footprint and encourage customers to be environmentally-conscious of their activities. Social Responsibility initiatives focuses on seminars, knowledge sharing and awareness; support for cultural events, e-Newsletters, educational visits, charitable donations and similar activities.

Doha Bank conducted its 13th annual 'Al Dana Green Run' in 2017. People across age groups, nationalities and social background came forward enthusiastically to take part in the run. Participants included professionals, males and females from different age groups, sports enthusiasts and members of various socio-cultural groups. The 'Al Dana Green Run' is one of the Bank's major campaigns, which is aimed to raise awareness and motivate people to become advocates of environmental issues as they go about their daily lives.

Doha Bank honoured with "Company of the Year" Award by Qatar University.

Green Banking Awards: The Leading Bank in Every Domain

- Golden Peacock Global Award for CSR – IOD – 2016, 2014, 2013, 2012, 2011
- Environmental Award - The Arab Organization for Social Responsibility – 2015, 2014
- Golden Peacock Global Award for Sustainability – Institute of Directors (IOD) – 2017, 2014, 2013, 2012, 2011, 2010
- Golden Peacock Global Excellence in Corporate Governance – Institute of Directors (IOD) – 2016, 2015
- Certificate of Merit - Ministry of Environment 2013
- Best Corporate Social Responsibility Programme in the Middle East 2013 - EMEA Finance
- Excellence Award for the Best Corporate CSR Programme by a Bank in Qatar 2012 - The Arab Organization for Social Responsibility
- Green Systems Implementation of the Year - Arab Technology Awards 2010 - Arabian Computer News
- Best Environmental Leadership Award 2010 - Qatar Today
- Best Public Awareness Campaign Award 2010 - Qatar Today
- Best Public Awareness Campaign Green Award 2009 - Qatar Today
- Best Green Bank 2008 - Banker Middle East
- Best Internet Banking Service in Middle East 2008 - Banker Middle East

Mr. Alaga Raja, Country Head of UAE at Doha Bank, receiving the "Best Local Bank in Qatar' Award at the EMEA Finance Middle East Banking Awards 2017.

BOARD MEMBERS

CORPORATE GOVERNANCE

OVERVIEW

As part of the compliance requirement of the Corporate Governance code for listed companies issued by Qatar Financial Markets Authority, and the instructions of Qatar Central Bank, Doha Bank as a Qatari shareholding company listed on the Qatar Exchange is required to disclose the extent to which it complies with the provisions of the code. Doha Bank believes that applying a proper corporate governance framework and principles is essential to assist the Bank in achieving its goals with a high performance level in addition to improving its internal and external working environment, protecting stakeholders' interests and distributing roles and responsibilities in an ideal way.

During the year, the Bank was keen to enhance the corporate governance framework by applying the corporate governance policies and procedures' manuals and adopting best practices. This report summarizes Doha Bank's governance processes for 2017 in accordance with the disclosure requirements of QFMA and QCB as illustrated below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

Roles and Responsibilities:

The Board of Directors is responsible for the stewardship of the Bank and for providing effective leadership and supervision of Doha Bank's business, whilst growing value in a profitable and sustainable manner.

The roles and responsibilities of the Board are defined in the Board Charter. The Board Charter has been published to the public through the Doha Bank website and will be available to shareholders before the Shareholder's meeting. The Board's roles and responsibilities are compliant with the requirements of the Governance Code of QFMA and QCB, and cover the following areas:

- Strategy
- Governance
- Compliance
- Risk Management
- Authorities and Delegations
- Internal and External Audit
- Board Committees
- Board Code of Conduct
- Board Composition
- Board Meetings
- Board Membership Requirements

Each Board Member's duties have been updated and defined in Job Descriptions prepared for this purpose. Moreover, each Board Member is also required to provide sufficient time to perform his duties. Currently, time commitments are not contractually set but are understood by all Directors.

The following are the general roles and responsibilities of the Board of Directors as stated in the approved Corporate Governance Policies' Manual:

1. Delegate the authority to the Managing Director to oversee the CEO of Doha Bank to implement Board directives and resolutions. The Board shall define the jurisdiction and duties of both the Managing Director and the CEO, their responsibilities and the mechanism of their reporting to the Chairman and the Board.
2. Approve Doha Bank's organization structure, authorities delegated to the Board Committees and Executive Management, financial commitments in excess of delegated authorities to the Board Committees and Executive Management, the remuneration and bonus policy of the CEO and staff recommended by the relevant Board Committee, the strategic initiatives including new business initiatives and key investments and divestitures, and periodically approve the Bank's polices and procedures' manuals. The Board shall also approve the annual Doha Bank budget, the Board Committees' recommendations, and the appointment of the CEO and senior staff of the Bank including the compliance and reporting officers and the Head of Internal Audit.
3. Approve the Bank's strategy and work on developing the strategic plan and business objectives on a periodic basis and whenever necessary.
4. Create Board committees and set their authorities and duties, and annually evaluate the work of the Board Committees, including the Audit, Compliance and Risk Committee, Executive Committee, Nomination and Governance Committee, Policy, Development and Remuneration Committee, etc.

5. Call the Ordinary and Extraordinary General Assembly for convention, and approve the agenda of both meetings, and submit recommendations to the General Assembly to approve the proposed cash dividends, the remuneration of the Chairman and the Board members, the appointment of the External Auditor, the capital increase, the amendment of the Bank's Articles of Association, and other issues as stated in the Commercial Companies' Law.
6. Monitor the financial performance of the Bank and its subsidiaries, and meet with the External Auditor to learn about any existing substantial problems and work on resolving them.
7. Discuss with the Audit, Compliance and Risk Committee matters related to internal audit, AML/CTF issues, QCB reports, external audit, and financial statements.
8. Ensure that Doha Bank maintains adequate levels of capital and reserves, according to sound commercial principles and banking regulations.
9. Make enquiries about potential problems that come to the Board's attention and follow up until the Board is satisfied that the management is addressing the issues appropriately.
10. Supervise and ensure the implementation of proper internal control systems, mainly through the Audit, Compliance and Risk Committee, and monitor operations and assess Doha Bank's performance and management of risks, and ensure that necessary and adequate financial and human resources are in place to achieve Doha Bank's goals and objectives.
11. Oversee the overall corporate governance of Doha Bank. Review and approve governance policies (including policies on conflict of interest and insider trading), principles recommended by the Executive Management and external consultants, and the Code of Ethics.
12. Review the Bank's policies, directly or through a delegated committee, periodically to ensure that they are adequate, suitable and in line with the internal business changes and the external macro-economic factors.
13. Delegate the authority to the CEO of Doha Bank to implement Board directives and resolutions. The Board shall define the jurisdiction and duties delegated to the CEO who should report to the Chairman and the Board.
14. Ensure that Doha Bank is in compliance with its Articles of Association and applicable international and local laws and regulations including QCB regulations. Receive and review any legal cases brought against the Bank periodically.
15. Provide shareholders with timely information to be able to take decisions in the general assembly. Ensure the fair treatment of all shareholders within the same class in accordance with the law. Ensure that a transparent process of stakeholder relations is in place including procedures for disclosures and communication, and assume responsibilities towards shareholders and other stakeholders and related parties within Doha Bank and the community at large.
16. Assist management in addressing related entities' issues brought forward by respective Board representatives.
17. Appoint independent advisors to assist the Board in their activities. The Board should receive adequate funding from Doha Bank for independent advisors and the related administrative expenses.

Financial Statements

The financial statements are prepared by the Executive Management. The Board shall review and assess Doha Bank's Financial Statements and other releases prior to announcement to shareholders. The balance sheet and income statement shall be signed by the Chairman or the Managing Director and CEO.

Review of the Board and Board Committees' Performance

The Board undertakes ongoing self-assessment (through the Nomination and Governance Committee) and an annual review of the Board as a whole, the Board Committees and individual Board members.

Main Transactions that Require Board Approval:

Board authorities include approval of the following transactions:

- Credit facilities with values above the authorized limits set for the Board Executive Committee.
- Credit limits for countries and correspondent banks.
- Investments with values above the authorized limits set for the Board Executive Committee.
- Annual budget of the bank.
- Expenses above the authorized limits set for the Board Executive Committee.
- Credit facilities granted to the Board members and their families.

BOD's Tasks & Other Duties:

Consultancy: The Board may consult at the Bank's expense any independent expert or consultant. It is permitted for the Board Members to obtain professional advice at the cost of the Bank with the approval of the Board.

Access to documentation: As defined in the Board Charter, Board Members shall have full and immediate access to information, documents, and records pertaining to the Bank. The Bank's Executive Management shall provide the Board and its committees with all requested documents and information pertaining to Board decisions.

Nominations: the Bank has established a system for the nomination/appointment of Board Members. As per the Nomination and Governance Committee's roles and responsibilities, the committee should consider terms, qualifications and experience required for a nominee to take an active role as a Board Member. Hence, the committee will determine the standards necessary to elect any new Board Member.

Training Programs: the Bank has put in place Corporate Governance Policies which include principles for guiding and training new Board Members. The Bank has enrolled Board Members in a training course on Corporate Governance.

Governance: the Board will be continuously updated on governance practices through the Management and the Board Nomination and Governance Committee.

Dismissal: Members who do not attend Board meetings on a regular basis without an acceptable excuse may be removed in accordance with Doha Bank's Articles of Association.

Self-Assessment: Templates and tools have been approved to perform an annual self-assessment by the Board.

Remuneration: the Board estimates the Executive Management's remunerations based on the Bank's overall performance and on the extent to which the goals stated in the Bank's strategy are achieved.

Passing of Board Resolutions by Circulation: From time to time Board Resolutions may be passed by circulation with the approval of the Board Members in writing and submitted to the Board of Directors for endorsement in the following meeting. With regard to such resolutions passed by circulation, the Bank's Articles of Association have been amended to be in line with the new Commercial Companies Law.

Board Composition

The Board currently consists of nine members, i.e. 4 executive members and 5 non-executive members two of them independent (by appointment). The current term of the Board of Directors started on March 6th, 2017 and continues for a period of three years through election at the shareholders' Ordinary General Assembly.

Briefs of each Board Member's education and experience profile are depicted below:

Sheikh Fahad Bin Mohammad Bin Jabor Al Thani
Representing Fahad Mohammad Jabor Holding Company.

- Chairman
- Chairman of the Executive Committee
- Date of Appointment on Board: June 3, 1996 (acting in his own capacity) and March 6th, 2017 (acting as the company's representative)
- Education/ Experience: Graduate of the Royal Academy, Sandhurst, UK
- Other Board Memberships: Board Member at Al Khaleej Takaful Group
- Ownership:
  5,438,517 shares; i.e. 1.75% as at December 31, 2017
  & 3,414,538 shares as at December 31, 2016
- Attendance: Attended six Board meetings

Mr. Ahmed Abdul Rehman Yousef Obaidan

- Vice Chairman
- Member in the Executive Committee
- Date of Appointment on Board: April 20, 1982
- Experience: General Manager, Al Waha Contracting & Trading Est.
- Ownership:
  5,269,358 shares; i.e. 1.7% as at December 31, 2017
  & 4,346,203 shares as at December 31, 2016
- Attendance: Attended six Board meetings

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani

- Managing Director
- Chairman of Policies, Development and Remuneration committee and Chairman of Nomination and Governance committee and Member in the Executive Committee
- Date of Appointment on Board: December 21, 1978
- Education: Bachelor of Civil Engineering, Missouri University, USA
- Other Board Memberships: Chairman of the Board of Directors, Qatar Industrial Manufacturing Co.; Chairman of the Board of Directors, Qatari Oman Investment Company; and Board Member, National Leasing Holding Company
- Ownership:
  6,026,340 shares; i.e. 1.94% as at December 31, 2017
  & 4,988,617 shares as at December 31, 2016
- Attendance: Attended five Board meetings

Sheikh Abdulla Mohamed Jabor Al-Thani

- Non-Executive Board Member
- Chairman of Audit, Compliance and Risk Committee
- Date of Appointment on Board: April 20, 1982
- Education: Bachelor Degree
- Other Board Memberships: Chairman of Al Khaleej Takaful Group
- Ownership:
  2,325,350 shares; i.e. 0.75% as at December 31, 2017
  & 1,937,792 shares as at December 31, 2016
- Attendance: Attended six Board meetings

Sheikh Falah Bin Jassim Bin Jabor Al-Thani
Representative of Jassim and Falah Trading and Contracting Co.

- Board Member – Executive Director
- Member of Executive Committee
- Date of Appointment on Board: Feb 27, 2011
- Experience: Ex-Minster of Civil Service Affairs and Housing
- Other Board Membership : Chairman of Board of Directors, National Leasing Holding
- Ownership:
  3,100,466 shares; i.e. 1% as at December 31, 2017
  & 2,583,722 shares as at December 31, 2016
- Attendance: Attended four Board meetings

Mr. Hamad Mohammad Hamad Abdullah Al Mana

- Non-Executive Board Member
- Member of the Policies, Development and Remuneration Committee
- Date of Appointment on Board: April 13, 1999
- Education: Bachelor Degree
- Other Board Memberships: Board Member of Qatar General Insurance & Re-insurance Company and Qatar Navigation Company, and Vice Chairman of Mohammad Hamad Al Mana Group Companies;
- Ownership:

  2,235,651 shares; 0.75% as at December 31, 2017

  & 4,058,901 shares as at December 31, 2016
- Attendance: Attended 4 Board meetings

Mr. Ahmed Abdullah Al Khal

- Non-Executive Board Member
- Member in Nomination & Governance Committee
- Date of Appointment on Board: March 3, 2014
- Education: Economics & Political Science
- Experience: He previously assumed the position of the Head of Economic Planning Section of the Ministry of Foreign Affairs, and he worked in the Ministry of Economy and as ambassador to Germany and Japan.
- Ownership:

  2,327,991 shares; i.e. 0.75% as at December 31, 2017

  & 1,939, 993 shares as at December 31, 2016
- Attendance: Attended six Board meetings

Mr. Ali Ibrahim Abdullah Al-Malki

- Independent Board Member (by appointment)
- Member in Audit, Compliance & Risk Committee, and Polices, Development & Remuneration Committee
- Date of Appointment on Board: March 6th, 2017
- Education: Bachelor of Science Degree in Aviation Administration
- Other Board Memberships: Chairman and Managing Directors of Al-Malki Group, Board Member of Doha Bank Assurance Company
- Experience: Businessman
- Ownership:

  123,378 shares; i.e. 0.04% as at December 31, 2017

  & 102,815 shares as at December 31, 2016
- Attendance: Attended five Board meetings

Mr. Nasser Khaled Nasser Abdullah Al-Misnid

- Independent Board Member (by appointment)
- Member in Audit, Compliance & Risk Committee, and Nomination & Governance Committee
- Date of Appointment on Board: March 6th, 2017
- Education: Bachelor Degree of Political Science from George Town University in Qatar
- Experience: Financial Analyst in Qatar Investment Authority
- Ownership:

  20,000 shares; i.e. 0.01% as at December 31, 2017. He did not own any of Doha Bank's shares in 2016.
- Attendance: Attended five Board meetings

Independent Board Member

The current composition of the Board includes two independent Board members who meet QCB's requirements. The independent member's ownership of Doha Bank's shares shouldn't exceed 0.25% of the bank's capital.

Fiduciary Responsibilities

Each Board member owes the Bank by employing diligence, loyalty and integrity in support of the Bank's overall vision and in line with the Board Charter and the Bank's Code of Ethics. Board members act on an informed basis in the best interest of the Bank and in fulfillment of their responsibilities to the Bank. Board members therefore have the required knowledge, experience and skills.

Duties of the Chairman of the Board

The role of the Chairman is to lead Doha Bank towards achieving its strategic goals and to provide its shareholders with sustainable gains. The Chairman also leads the Board and oversees that it is fully functioning in accordance with its mission and approves the agenda of all the board meetings. Additionally, he discusses with Board members recommendations, improvements, strategic initiatives, annual budgets, and new available investment opportunities and he ensures that the Board has performed its assigned duties. He also periodically discusses general bank issues with the members, ensures that there is a mechanism for evaluating board members, and communicates with shareholders. He may delegate specific duties to the Board Members, Board Committees, Managing Director and CEO as he deems fit. The Chairman also coordinates regularly with the CEO to avail the necessary financial and human resources to achieve the Bank's goal, whilst monitoring performance periodically through the CEO.

Duties of the Vice Chairman

The holder of this position shall assume the role of the Chairman in his absence. He works closely with the Chairman in developing and overseeing the execution of the Bank's strategies. Additionally, he shall undertake other responsibilities as delegated by the Chairman.

Duties of the Managing Director

- Supervise the implementation of the Board resolutions in accordance with Doha Bank's strategy and objectives.
- Oversee that the Board receives timely, accurate and complete information to enable sound decision-making, effective monitoring and advising.
- Sign/ countersign (endorse) correspondence, reports, contracts or other documents on behalf of Doha Bank.
- Supervise the implementation of strategic initiatives and investments within the level of authority delegated by the Board.

- Approve investments, credit facilities and expenditures within the level of authority delegated by the Board.
- Oversee the implementation of key initiatives within Doha Bank in coordination with the CEO and Executive Management.
- Provide the Board and the Board Committees with the required reports and disclosures in a timely manner for review and approval.
- Update the Board with periodic reports on Doha Bank's performance and activities.
- Participate in various board-level committees.
- Any additional responsibility entrusted to him by the Board/ the Chairman of the Board.

Duties of the Non-Executive/ Independent Board Member

- Work actively on providing information required for the Board to undertake its activities as stipulated in the Board of Directors' Terms of Reference.
- Assist in Doha Bank's strategic planning and business planning processes and constructively challenge and develop strategic proposals.
- Review Doha Bank's performance periodically and scrutinize the performance of management in achieving agreed goals and objectives.
- Review the integrity of financial information and monitor that financial controls and systems of risk management are robust and defensible.
- Spearhead the development of Doha Bank's Corporate Governance policies and monitor compliance to the same.
- Assist the Board to properly attend to the External Auditor's report.
- Oversee that Bank and Shareholder interests are maintained, especially in conflict of interest situations between executive members and other members.
- Be available to shareholders if they have concerns which have not or cannot be resolved through contact with the Chairman, MD and the CEO or if such contact is not appropriate.
- Act as a supplier to the Board for the communication of shareholder concerns when other channels of communication are inappropriate.
- Any additional responsibility entrusted by the Board/ Board Chairman.
- Be collectively responsible for the Board decisions and actions.
- Participate in various Committees including the Audit, Compliance and Risk Committee, Policies, Development and Remuneration and Nomination and Governance Committee.

Board Meetings

The Board meets based on the invitation of the Chairman or two members of the Board. Each Board meeting has an agenda which is submitted to all members prior to the meeting giving enough time for preparation purposes. As per the Board Charter, the Board meets a minimum of 6 times a year. The Board met six times in 2017, last meeting was held on 5 December 2017.

Board Remuneration

At the end of each year prior to the General Assembly meeting, the proposed remuneration for Board members and the Chairman is made available to the shareholders for discussion and approval.

Departments Reporting to the Board

Legal Advisor to the Board and Company Secretary: Mr. Mukhtar Al Henawy

Mr. Mukhtar Al Henawy has joined Doha Bank in 2002 as Legal Advisor to the Board. He was also appointed as a Secretary to the Company in 2007. He has more than 30 years of experience, and he worked at law firms before joining the bank.

Mr. Mukhtar obtained a Bachelor's Degree in Law from Ain Shams University in 1987 and a Diploma in Law in 1988. It is in Doha Bank's view that the Company's Secretary meets all the requirements of the Code.

Legal Advisor to the Board is performing the duties of Company's Secretary and maintains all Board documentation and manages the overall processes related to board meetings. The Company's Secretary reports directly to the Chairman, however, all members may use the Company's Secretary's services.

Chief Compliance Officer: Mr. Jamal Al Sholy

Mr. Jamal Al Sholy has joined Doha Bank in 1997 as Head of the Internal Audit Department and in 2002 he has become Chief Compliance Officer to date. He has more than 37 years of experience, and he worked in external audit before joining the bank. The Compliance Department includes the Compliance Control Unit and the AML/CTF Unit. The Chief Compliance Officer works independently from the Executive Management and reports directly to the Board of Directors.

Mr. Jamal holds a Bachelor's Degree in Accounting and Business Administration from the University of Jordan, 1981.

Chief Internal Auditor: Mr. Mohammad Daoud

Mr. Mohammad Daoud has joined Doha Bank in 2012 as an Acting Head of Internal Audit Department. In 2016, he was appointed as a Head of Internal Audit Department. He has more than 25 years of experience in the field of banking and financial institutions before joining Doha Bank.

Mr. Mohammad Daoud has got a PhD in Finance.

Executive Management

Doha Bank's Executive Management consists of the CEO, his assistants and the heads of the executive departments. Following are the profiles of the CEO and the department heads, noting that none of them is a holder of Doha Bank shares.

Chief Executive Officer: Dr. Raghavan Seetharaman

Dr. R. Seetharaman has joined Doha Bank in 2002 as Assistant General Manager. In 2007, he was appointed as CEO of the bank. He has an extensive experience of more than 37 years during which he worked in a number of banks and institutions before joining Doha Bank, including Bank Muscat.

Dr. R. Seetharaman is a Chartered Accountant, whilst being a Gold medalist in his graduation – Bachelor of Commerce. He is a recipient of multiple doctorate degrees from leading universities of the world including two PhDs.

Chief Risk Officer: Mr. Khalid Latif

Mr. Khalid Latif has joined Doha Bank in 1990 and has held several positions since then. He has more than 34 years of experience and has worked for several years in the banking sector and other sectors in Pakistan before joining the bank.

Mr. Khalid Latif holds a Master's Degree in Business Administration from Pakistan.

Chief Wholesale Banking Officer: Mr. Cherussery Krishnan

Mr. Cherussery Krishnan has joined Doha Bank in 2000 as an Executive Manager in the Wholesale Banking Group. He has more than 33 years of experience and has worked at a number of institutions and banks before joining Doha Bank.

Mr. Cherussery Krishnan holds a Master's Degree in the Bank Management.

Chief Financial Officer: Mr. David Challinor

Mr. David Challinor has joined Doha Bank in 2008 as Assistant General Manager. He has more than 23 years of experience and has worked at several financial institutions in Australia before joining Doha Bank.

Mr. Challinor holds a Bachelor's Degree in Economics from England, and he is a fellow of the Institute of Chartered Accountants in England and Wales.

Chief International Banking Officer: Mr. Frank Hamer

Mr. Frank Hamer has joined Doha Bank in 2016 as a Head of International Banking Department. He has more than 24 years of experience and has worked at the banking sector before joining Doha Bank.

Mr. Frank Hamer holds a Master's Degree in Business Administration & is a Certified Public Accountant.

Chief Operating Officer, Technology and Operations Group: Mr. Peter Roberts

Mr. Peter Roberts has joined Doha Bank in 2017 as Assistant General Manager- Chief Operating Officer, Technology & Operations. He has experience of more than 31 years in several financial and banking institutions before joining Doha Bank.

Mr. Roberts holds Bachelor of Arts degree with associate of the Chartered Institute of Bankers (ACIB).

Acting Chief Human Resources Officer: Sheikh Mohamed Fahad Mohamed Al Thani

Sheikh Mohamed Fahad Al Thani has joined Doha Bank in 2013 as Head of Financing Unit. He has banking experience in several financial institutions. He held the position of Acting Head of HR Department in 2017.

Sheikh Mohamed Fahad Al Thani holds a Bachelor Degree in General Business.

Acting Chief Retail Banking Officer: Mr. Braik Ali H S Al-Marri

Mr. Braik Ali H S Al-Marri has joined Doha Bank in 2015 as Branch Control Manager. He has experience of more than 24 years as he worked in several financial and banking institutions before joining the bank. He has held the position of the Acting Chief Retail Banking Officer in 2017.

Senior Management Remuneration

The Bank adopts a policy, which regulates the process for assessing the performance of Senior Management based on the achievement of the bank's strategic goals. Based on the performance assessment and the Bank's results, the additional benefits and bonuses are set. With regard to salaries, the Bank has hired one of the consulting firms to prepare a study and proposal for the salaries and financial benefits of the staff, which is approved by the Board.

Separation of Positions of Chairman and CEO

The Chairman and CEO duties and responsibilities are separated in the Bank and each position has clearly defined roles and responsibilities under its own Job Description.

Conflict of Interest and Insider Trading

Doha Bank has set in place several controls to prevent conflict of interest situations from occurring. Specifically, the Bank has adopted a related party policy under Corporate Governance policies. Related party transactions are approved by the Board based on materiality. As per Commercial Companies Law, if a Board Member has a conflict of interest related to a certain transaction, he shall not participate in the Board meeting at the time of taking a decision on the transaction and shall not participate in the issuance of a resolution if it is passed to him by circulation. It is also worth noting that the Bank has adopted a conflict of interest policy which must be complied with by all employees of the Bank.

Currently, monitoring and controlling insider trading are done by Qatar Exchange directly. A policy on insider trading has been adopted by the Bank.

Related Party Transactions

In general, any staff or board member shall be considered as a related party upon carrying out commercial operations for Doha Bank with one of the family members or any business running by one of the family members.

Approvals of Related Party Transactions

The staff or board member shall disclose the related party transactions and shall obtain a written approval from the bank's Executive Committee. Regarding the board members, the related parties shall be disclosed and discussed during the board meeting in the absence of the concerned member, and shall be submitted during the General Assembly Meeting following the date of transaction.

Disclosure of Related Party Transactions

The bank's policy prohibits the Chairman, board members and executive managers from carrying out any selling or buying transactions for the bank's shares during the period set by Qatar Exchange and even publishing financial statements to the public, knowing that no related party has concluded any transactions in the prohibition periods during the year.

Board Committees

Board Committees are established to assist the Board of Directors in conducting their duties. Each committee has developed Terms of Reference that define the committee's roles and responsibilities in accordance with QCB's instructions and QFMA regulations and leading governance practices.

The Bank has four Board committees as follows:

- Audit, Compliance and Risk Committee
- Nomination and Governance Committee
- Policies, Development and Remuneration Committee
- Executive Committee

Audit, Compliance and Risk Committee

Membership:

Sheikh Abdulla Mohammad Bin Jabor Al Thani – Non-Executive Board Member (Chairman). He attended all the meetings of the Committee

Mr. Ali Ibrahim Abdullah Al Malki – Independent Board Member. He attended five meetings.

Mr. Nasser Khalid Abdullah Al Mesnad – Independent Board Member. He attended six meetings.

Meetings: Seven meetings were held during the year, noting that only six meetings are required as per the Governance Code.

Roles and Responsibilities: The Committee is responsible for reviewing the financial statements, the work of external and internal auditors, the internal control environment, the compliance with regulations and laws and the management of risk at the Bank. The Audit Committee may seek independent professional advice for risk management and may hire consultants to assist it in performing its functions, and exercising its powers and responsibilities soundly. The Committee discusses with the external auditors the nature, scope and efficiency of the undertaken audits in accordance with International Audit Standards and International Financial Reporting Standards, and it also ensures the independence and objectivity of the external auditors by collecting information from them on their relationship with the bank, including the non-auditing services.

The Committee also reviews the annual and quarterly financial statements and inspects the Bank's annual report and the notes contained therein, and in the other related control reports. It also reviews the important financial and accounting reports, including the complex cases and the unusual operations and the areas that require a high level of diligence and good judgment.

The Committee considers the effectiveness of the Bank's risk management and internal control over annual, interim and regulatory financial reporting and other regulatory reporting, including information technology security. It also seeks clarifications from the management and the internal and external auditors as to whether the financial and operational controls are adequate and effective. The Committee ensures that the financial statements and the issued reports are in compliance with the accounting standards and practices accepted by QCB and QFMA, and with the listing regulations enforced by QE, as well as the disclosure rules and any other requirements governing the preparation of financial reports.

The Committee meets regularly during the year to discuss the reports of the Internal Audit Department, the Compliance Department and Risk Management in addition to the reports issued by the External Auditors and QCB's inspection reports.

The Committee also reviews the quotations submitted by the external auditors for auditing the Bank's accounts every year and submits recommendations thereof to the Board of Directors to select the most suitable auditor or to renew the term of the current auditor so as to submit a Board recommendation to the General Assembly of Shareholders.

The Bank has approved a whistle-blowing policy to encourage the Bank's employees to detect/ disclose any violations that may adversely affect the Bank. The critical issues are then reported to the Audit, Compliance & Risk Evaluation Committee which in turn ensures taking the necessary actions to rectify the violations. There has been no conflict between the Committee's recommendations and the Board's resolutions or any other issues of material impact during the year 2017.

Nomination and Governance Committee

Membership:

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani – Managing Director (Chairman). He attended all the Committee's meetings.

Mr. Ahmed Abdul Rehman Yousef Obaidan - Vice Chairman & Executive Member up to 06/03/2017.He attended all the Committee's meetings.

Sheikh Abdulla Mohammad Jabor Al Thani - Non-Executive Board Member, up to 06/03/2017.He attended all committee meetings.

Mr. Hamad Mohammad Hamad Al Mana – Non-Executive Board Member, up to 06/03/2017.

Mr. Ahmed Abdullah Hamad Al Khal – Non-Executive Board Member. He was appointed on 06/03/2017.

Mr. Nasser Khalid Abdullah Al Mesnad – Independent Board Member. He was appointed on 06/03/2017.

Meetings: Two meetings were held during the year, noting that only one meeting is required as per the Governance Code.

Roles and Responsibilities: The Committee reviews the nominations for the Board of Directors' membership and monitors the adherence to corporate governance principles at Doha Bank. It also identifies and nominates new members for the Board who have the ability to make sound decisions on behalf of the bank and shareholders. The Committee takes into account the availability of a sufficient number of potential candidates who can perform their duties as Board Members. It also assesses their skills, knowledge and experience as well as their professional, technical, and academic qualifications and their personality. The Committee evaluates the candidates for the membership of the Board based on criteria including integrity, insight, acquired experience and the ability to devote sufficient time to manage the Bank's affairs.

Policies, Development and Remuneration Committee

Membership:

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani – Managing Director (Chairman). He attended all the Committee meetings.

Mr. Hamad Mohammad Hamad Al Mana – Non-Executive Board Member. He attended two meetings.

Mr. Ali Ibrahim Abdullah Al Malki – Independent Board Member. He attended two meetings.

Meetings: Three meetings were held during the year, noting that only two meetings are required as per the Governance Code.

Roles and Responsibilities: The Committee approves the Bank's policies and strategies, and reviews the remuneration framework for the Executive Management and the Board. The Committee is also responsible for drawing up the general policy of bonuses and benefits of the Board of Directors, CEO and Senior Executives based on the achievement of the Bank's long-term strategic goals. The Committee also reviews the pay scale and other employment benefits of the Bank's employees and makes recommendations to the Board of Directors for approval. The allowances and benefits of the Chairman, Board Members and Board Committees are presented to the shareholders at the General Assembly Meeting at the end of each financial year for approval.

Executive Committee

Membership:

Sheikh Fahad Bin Mohammad Bin Jabor Al Thani – Chairman of the Board of Directors (Committee Chairman). He attended all the Committee meetings.

Mr. Ahmed Abdul Rehman Yousef Obaidan – Vice Chairman. He attended all the meetings.

Sheikh Abdul Rahman Bin Mohammad Bin Jabor Al Thani – Managing Director. He attended all the committee meetings.

Sheikh Falah Bin Jassim Bin Jabor Al Thani – Executive Board Member. He attended all the Committee meetings.

Meetings: The required number of meetings as per the Code is at least four times a year, or whenever requested by the Committee Chairman. Two meetings were held during the year.

Roles and Responsibilities:

- Review changes relating to Doha Bank's capital structure and significant changes to the management and control structure of Doha Bank, recommend to the Board for approval.
- Facilitate the effective supervision and overall control of the business of the Bank by receiving and reviewing overall customer credit, inter-group and investment exposures.
- Approve credit facilities above the authorized limit set for management up to the Executive Committee limit delegated by the Board of Directors.
- Review credit proposals above the Executive Committee limit and provide recommendations on reviewed proposals to the Board of Directors.
- Recommend to the Board of Directors appropriate action pertaining to the impaired indebtedness cases or obligation above the delegated limit.
- Review on a quarterly basis the status of pending litigation matters.
- Approve purchase and expenditure for amounts within the limit delegated to the Committee by the Board of Directors.
- Approve donations for charity activities and corporate social responsibility expenditures on a case-by-case basis in line with the delegated limits to the Committee as approved by the Board of Directors and the corporate social responsibility strategy.
- Review and approve strategic and commercial investments within the Committee's delegation.
- Oversee the performance of strategic investments by periodically receiving reports from management and reporting to the Board.

INTERNAL CONTROL, COMPLIANCE, RISK MANAGEMENT AND INTERNAL AUDIT

Internal Control

The general objective of the internal controls procedures of Doha Bank is to safeguard assets and capital and to ensure the reliability of Doha Bank's and its subsidiaries' financial recordkeeping. Doha Bank has adopted a process of internal controls that allow Management to detect errors in procedures or financial recordkeeping. Doha Bank's internal control framework includes the establishment of strong finance, risk management, compliance and internal audit departments which support in establishing a strong internal control framework.

The Internal Control Framework is overseen by the Audit, Compliance and Risk Committee. The Internal Audit, Compliance and Risk Departments respectively provide periodic reports to the Audit, Compliance and Risk Committee on:

- The major risks associated with the banking business related to Strategic, Reputation, Compliance, Legal, Credit, Liquidity, Market, and Operational Risks;
- Overall compliance of the Bank with rules and regulations;
- Internal Audit and External Audit recommendations and findings.

The Board of Directors has approved policies related to Internal Audit Department, Compliance Department and Risk Management Department.

Compliance

The main responsibility of the Compliance Department at the Bank is to assist the Board and Bank's Executive Management in managing and controlling the Compliance risks efficiently and to protect the Bank from financial losses "if any" due to failure of compliance. Compliance risks include risk of legal/regulatory sanctions, material financial loss, or loss of reputation. Compliance also assists the Board of Directors and Executive Management in improving the internal controls procedures that will mitigate Compliance, AML and Anti–Terrorist Financing (ATF) risks. Moreover, Compliance acts as a liaison between the Bank and the respective regulators and updates management with new laws and regulations.

Internal Audit

The Bank has an independent Internal Audit Department that reports to the Board of Directors through the Audit, Compliance and Risk Evaluation Committee on a periodic basis. The Internal Audit is carried out by operationally independent, appropriately trained and competent staff. The Internal Audit employees have access to all the Bank's activities, documents and reports that are needed to accomplish their missions. The Internal Audit team does not perform any activities in relation to Bank's daily regular activities and all their bonuses and benefits are directly determined by the Board of Directors.

The Internal Audit Department operates in accordance with an Audit Plan that is approved by the Audit, Compliance and Risk Evaluation Committee. This plan includes a review and evaluation of the internal control systems of the various branches and departments of the Bank.

Risk Management

The Bank has consistently and continually monitored risks and processes across the organization to identify, assess, measure, manage and report on opportunities and threats that could impact the achievement of the Bank's objectives. The Board and the Executive Management are ultimately responsible for all the risks assumed by the Bank. They seek to balance the risk profile against sustainable returns to achieve the business goals of the Bank. The Board has engaged qualified professionals and has set policies and procedures, risk limits, organizational framework, committees, authority levels and accountability.

Implementation of the Risk Management Framework is entrusted to a highly competent team and is controlled and implemented through various senior level management committees chaired by the Chief Executive Officer covering Credit, Investment, operational risk, and Asset & Liability Management.

INTERNAL CONTROL ASSESSMENT

The Board receives periodic reports on the internal control framework from Senior Management and control functions such as Internal Audit, Compliance and Risk Management. Such reports are assessed and scrutinized by the Board to ensure that the internal control framework is being implemented according to management prerogatives. The Board views that the current processes adopted for internal control by the Board and Senior Management are robust for Doha Bank's operations.

No major breach of control or internal control failure has taken place which has affected or may affect Bank's financial performance during 2017.

EXTERNAL AUDIT

Annually, the external account auditors are appointed by the General Assembly of Shareholders based on a recommendation submitted by the Board of Directors. The Bank takes into consideration the instructions of the regulatory authorities related to the appointment of external auditors in terms of the number of times for the appointment of any auditor. The Board of Directors also takes QCB's prior approval for the nomination of an external auditor/more than one external auditor for the approval of the General Assembly of Shareholders. After choosing an external auditor by the General Assembly of Shareholders, an engagement letter is signed between the two parties. Under this engagement, the external auditor shall be required to comply with the best professional standards and exert the necessary professional due diligence upon conducting any audit assignment, and to inform the regulatory authorities in the event of the failure of the Bank (the Board) to take appropriate actions towards the material issues that have been raised by them.

The external auditor also reviews the balance sheet and profit & loss accounts.

KPMG reviews and audits the Bank's accounts since 2017 to date, including overseas branches' accounts, Doha Bank Assurance Company's accounts in addition to investment fund accounts and periodic reports pertaining to QCB requirements. The external audit fee for 2017 was QR 2,350,000.

We have received three quotations from three well-known auditing firms. These quotations were presented to the Ordinary General Assembly of shareholders and KPMG were selected to review the bank's accounts for 2017.

MEANS OF COMMINICATION WITH SHAREHOLDERS:

Doha Bank considers its shareholders as key stakeholders. Doha Bank has established a Shareholder Relations function which is responsible for addressing shareholder queries. It is also responsible for communicating with any investors in the markets, and acts as a liaison between them and the Chairman of the Board.

DISCLOSURE AND SHAREHOLDERS RIGHTS

Doha Bank strives to provide shareholders with sufficient data to analyze Doha Bank performance and to take decisions on Board Member elections and other matters such as dividends Doha Bank ensures that its assembly meetings and the mechanism for voting adopted is in accordance with commercial companies' law. Doha Bank can provide general information such as financial statements, articles of association and by-laws of the Bank to its shareholders.

Disclosure Duty

Doha Bank adheres to all the disclosure requirements issued by Qatar Financial Markets' Authority, where the Bank discloses all its financial information and any activities carried out by the Bank in a transparent manner to its shareholders and the public through Qatar Exchange and the local newspapers and the Bank's website. The Bank's Board is keen to ensure that all information is accurate, correct and not misleading. The Corporate Governance Report contains details on the composition of the Board of Directors as well as information about the Board Members and the Board Committees.

Doha Bank confirms that all financial statements are prepared in accordance with the International Financial Reporting Standards and the relevant QCB regulations, and that the external auditor of the Bank prepares its reports in accordance with the International Standards on Auditing (ISA) after obtaining all the necessary information, evidences and confirmations and following the appropriate audit procedures. The Bank has provided the shareholders with all the interim and annual financial reports.

Access to Information

Doha Bank has a web site through which all information about the Bank is published, such as the annual and quarterly financial statements and the Board of Directors' Report and the Corporate Governance Report in addition to the Annual Report and any other information relating to the management of the Bank and the Board of Directors and the products, services and branches of the Bank. The bank has internal procedures allowing shareholders to obtain the company's documents and the relevant data, however shareholder register details are maintained by the Qatar Central Securities Depository Company.

Shareholders' Rights and Shareholders' Meetings

The Bank's Articles of Association include provisions that ensure the shareholder's right to attend the General Assembly meetings and vote on the General Assembly's resolutions and have a number of votes equal to the number of his shares. Minors and incompetent shareholders shall be represented by their legal proxies at the meeting. Each shareholder has the right to discuss the topics listed in the agenda of General Assembly and raise questions to the board members. Voting at the General Assembly shall take place by raising hands or as decided by the General Assembly. Voting must be by secret ballot if the decision relates to the election of the Board members, or their dismissal or initiating legal procedures against them; or if the Chairman of the Board of Directors or a number of shareholders comprising at least one tenth of the voters present at the meeting so request.

Proxy for attending the General Assembly is permissible, but it is stipulated that the proxy must be a shareholder and it should be private and confirmed in writing. Moreover, a shareholder may not appoint one of the Board Members to attend the meetings of the General Assembly on his behalf.

Under all circumstances, the number of shares which the proxy possesses in this capacity may not exceed 5% of the Bank's share capital except in the case where the proxy represents Qatar Investment Authority.

The General Assembly shall meet at the invitation of the Board of Directors at least once a year at the time and place determined by the Board of Directors after the approval of the Commercial Affairs Department at the Ministry of Economy and Commerce. The Assembly should be convened within four months as of the end of the financial year of the Bank. The Board may call the General Assembly for convention whenever necessary, but it should call for a meeting if such a request has been submitted for serious reasons by the auditor or by a number of shareholders holding not less than 10% of the capital within fifteen days as of the date of the request. The Extraordinary General Assembly may be convened based upon an invitation from the Board of Directors itself, but the Board should also call for such a meeting if requested to do so by a number of shareholders holding at least 25% of the Bank's share capital.

Equitable Treatment of Shareholders

The bank's Articles of Association include that each shareholder of the same class shall have equal right in the Bank assets titles and the profits distributed according to the number of shares he owns.

Shareholders' Rights Concerning Board Members' Elections

After notifying the competent regulatory authorities, the Bank shall announce that nominations are open for the membership of the Board of Directors in the local newspapers, and then the Nomination & Governance Committee, after the closure of the nomination period, shall study the applications received from shareholders. All information on the nominees may be obtained by shareholders by visiting the Bank before the General Assembly. After obtaining approval of the competent authorities, these names shall be submitted to the Ordinary General Assembly of Shareholders to elect new Board Members from the nominees. The Bank's Articles of Association gives shareholders the right to vote on the Assembly's resolutions and also on the nominees for Board membership, pursuant to Commercial Companies Law No. (11) of 2015 which refers to QFMA's Governance Code with regard to public shareholding companies.

Shareholders' Rights Concerning Dividend Distribution

The Board of Directors shall propose the distribution of dividends to the General Assembly every year according to the Bank's policy for dividend distribution as approved by the Board of Directors under the governance policy and the Bank's Articles of Association. The Articles of Association of the Bank allow the distribution of dividends to the shareholders after deducting 10% of the net profit of the bank to be appropriated for the legal reserve. The General Assembly may suspend this deduction once the reserve reaches 100% of the paid up capital. But if this reserve becomes less than the mentioned percentage, then the deduction should be resumed until the reserve reaches that percentage. The legal reserve may not be distributed to the shareholders except in the cases permitted by the Qatari Commercial Companies Law and after obtaining the approval of Qatar Central Bank. Upon a proposal from the Board of Directors, the General Assembly may annually decide to deduct a portion of the net profits to the optional reserve account. This reserve may be used as deemed fit by the General Assembly. A portion of the profits as determined by the General Assembly shall be deducted to meet the obligations imposed on the company by virtue of the Labor Law. The remaining profit amount shall then be distributed to the shareholders or shall be brought forward to the next year, based upon a proposal from the Board of Directors and subject to the approval of the General Assembly.

Shareholders' Rights and Major Transactions

Doha Bank is a Qatari shareholding company with a capital of QR 3,100,467.020 divided into 310,046,702 ordinary nominal shares, at a value of QR (10) per share, listed on Qatar Exchange. With the exception of Qatar Investment Authority "The Government of State of Qatar" may buy and own up to 20% of the Bank's share capital, any natural or legal person neither shall possess more than 2% of the bank's shares nor less than 100 shares, with the exception of ownership by way of inheritance. The Extraordinary General Assembly may approve the registration of a number of shares, not exceeding 20% of the share capital, in the name of a trusted depositary agent in the event of a capital increase through the issuance of global depositary receipts. The investment funds shall be considered as a single investment group, regardless of their number, if each is managed by one natural or judicial person, or if the founder in each is a natural or judicial person. In these two cases, the investment group shall not own more than 2% of the capital shares. Foreigners, on the other hand, may invest in the shares of the bank up to 49% of the issued capital. Doha Bank hereby confirms that there are no shareholder agreements related to capital structuring and the exercise of shareholder rights, and there is nothing stated in the Bank's Articles of Association on minority rights.

Ownership of Shares:

The ownership of Doha Bank's shares distributed by nationality as at December 31, 2017 is as follows:

Nationality	No. of Shares	Percentage
Qatar	267,950,792	86.42%
GCC	8,252,917	2.66%
Arab countries	3,039,969	0.98%
Asia	4,02v6,430	1.30%
Europe	10,385,667	3.35%
Africa	107,275	0.04%
USA	13,311,929	4.29%
Other	2,971,723	0.96%
Total	**310,046,702**	**100%**

The number of shareholders reached 3,192 as at 31/12/2017. No shareholder possesses more than 2% of the Bank's shares except Qatar Investment Authority (the

Government of State of Qatar) which owns directly and indirectly 17.22% of the shares as per bank's Articles of Association.

STAKEHOLDER RIGHTS

Doha Bank endeavors to maintain equitable and fair treatment of all its stakeholders. To enhance ethical conduct by the Bank's employees, each employee must abide by Doha Bank's Code of Ethics which stipulates ethical principles that each employee must demonstrate. Any breaches of ethical conduct are investigated and, as appropriate, disciplinary and corrective action is taken. Moreover, Doha Bank has established a whistle-blowing policy, whereby employees can report concerns without fear of retribution. Such concerns are reviewed and, as necessary, investigated and reported to the Audit, Compliance and Risk Committee.

It is also worth noting, that Doha Bank has standardized its processes related to compensation and assessment of employees by adopting a performance appraisal scheme and a staff compensation and benefits structure.

BANK BRANCHES, REPRESENTATIVE OFFICE AND SUBSIDIARIES

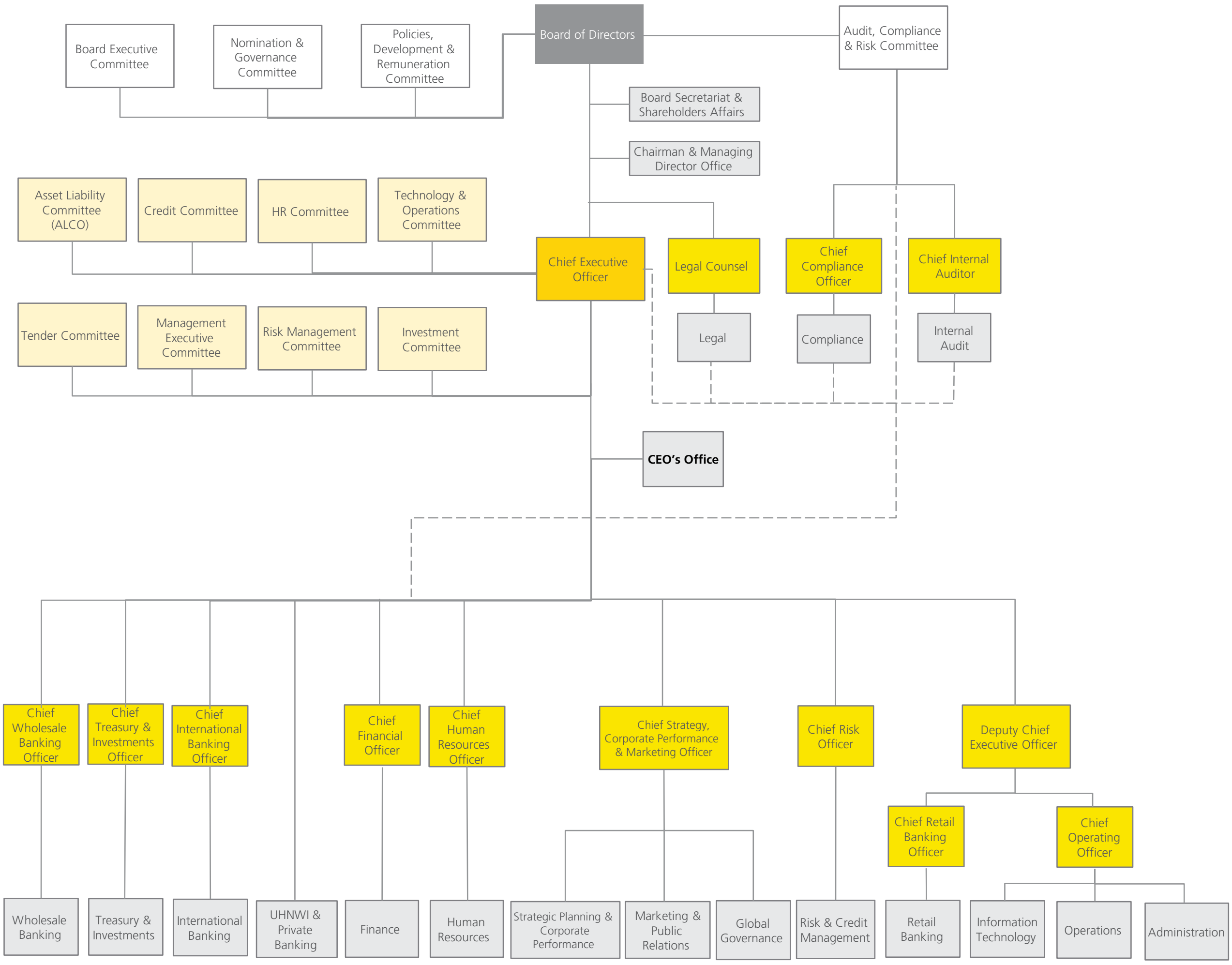
Domestically, Doha Bank's network inside Qatar includes a total of 27 branches, 6 e-branches, and 6 pay offices and one mobile banking unit. The number of ATMs reached 119 ATMs of which 5 ATMs in UAE and 2 ATMs in Kuwait, and 2 ATMs in India. Globally, the bank has six branches, Dubai and Abu Dhabi branches in UAE, a branch in Kuwait and three branches in India. Furthermore, we have thirteen representative offices located in Singapore, Turkey, Japan, China, UK, South Korea, Germany, Australia, Canada, Hong Kong, South Africa and the Emirate of Sharjah (UAE) & Bangladesh.

The Bank also fully owns subsidiary companies i.e. Doha Bank Assurance Company in Qatar, Doha Finance Limited, and Doha Bank Securities Limited in Cayman Island for purpose of debt issuance and derivative transactions, and has a strategic share of 44.02% of the capital of one of the Indian brokerage companies, which was later re-named as Doha Brokerage and Financial Services and positioned to practice brokerage and asset management businesses.

Fahad Bin Mohammad Bin Jabor Al-Thani
Chairman

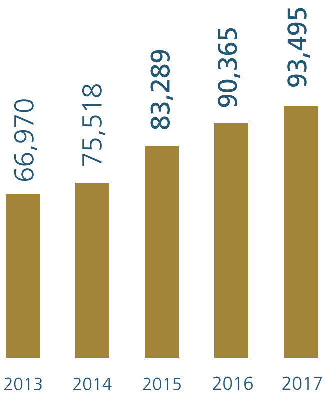
DOHA BANK CORPORATE **ORGANISATIONAL STRUCTURE**

(as at 31st December 2017)

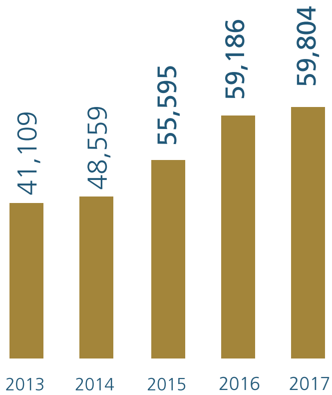


FINANCIAL **RESULTS**

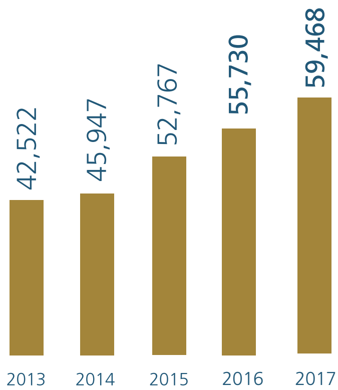
TOTAL ASSETS
(QAR Million)



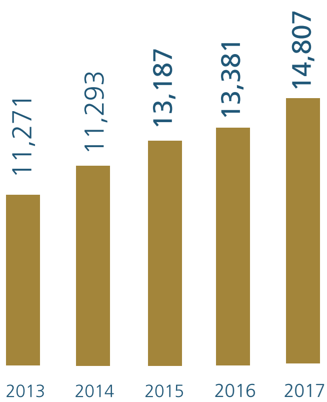
NET LOANS & ADVANCES
(QAR Million)



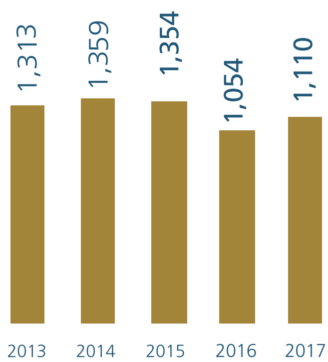
TOTAL DEPOSITS
(QAR Million)



TOTAL EQUITY
(QAR Million)



NET PROFIT
(QAR Million)



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.

Impairment of loans and advances - refer to notes 3(g)(v), 4(b)(v), 5(a)(i) and 10(c) in the consolidated financial statements	**How the matter was addressed in our audit**
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.	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.

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.

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.

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

- 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.

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 there is any 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	Gopal Balasubramaniam
Doha	Qatar Auditor's Registry Number 251
State of Qatar	KPMG
	Licensed by QFMA: External
	Auditor's License No. 120153

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017 QAR'000**	2016 QAR'000
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

	Notes	2017 QAR'000	2016 QAR'000
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
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 the 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

	Notes	2017 QAR'000	2016 QAR'000
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
CHANGES IN EQUITY
For the year ended 31 December 2017

	Equity attributable to shareholders of the Bank								
	Share capital QAR'000	Legal reserve QAR'000	Risk reserve QAR'000	Fair value reserve QAR'000	Foreign currency translation reserve QAR'000	Retained earnings QAR'000	Total QAR'000	Instrument eligible as additional capital QAR'000	Total equity QAR'000
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2017

	Equity attributable to shareholders of the Bank								
	Share capital QAR'000	Legal reserve QAR'000	Risk reserve QAR'000	Fair value reserve QAR'000	Foreign currency translation reserve QAR'000	Retained earnings QAR'000	Total QAR'000	Instrument eligible as additional capital QAR'000	Total equity QAR'000
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	-	-	-	-	-	(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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	2017 QAR'000	2016 QAR'000
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

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 (QAR'000)	Company's activities	Percentage of ownership 2017	Percentage of ownership 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

3. Significant Accounting Policies (continued)

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.

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 QAR'000	Fair value reserve QAR'000
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)

3. Significant Accounting Policies (continued)

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

3. Significant Accounting Policies (continued)

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.

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.

ii) 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.

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

3. Significant Accounting Policies (continued)

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.

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 lossesare also eliminated unless the transaction provides evidence of impairment in the asset transferred.

3. Significant Accounting Policies (continued)

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.

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 the amount of the asset and consideration received including any new asset

3. Significant Accounting Policies (continued)

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.

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

3. Significant Accounting Policies (continued)

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.

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)

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.

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.

3. Significant Accounting Policies (continued)

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.

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

3. Significant Accounting Policies (continued)

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.

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.

3. Significant Accounting Policies (continued)

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 theamounts 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.

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,

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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.

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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 QAR'000	2016 QAR'000
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

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 QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2017 Total QAR'000
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 QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2016 Total QAR'000
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 QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2017 Total QAR'000
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 QAR'000	Other GCC QAR'000	Other Middle East QAR'000	Rest of the World QAR'000	2016 Total QAR'000
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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

Industry 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.

	Gross exposure 2017 QAR'000	Gross exposure 2016 QAR'000
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 QAR'000	2016 QAR'000
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.

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 QAR'000	2016 QAR'000	**2017 QAR'000**	2016 QAR'000	**2017 QAR'000**	2016 QAR'000
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

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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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 QAR'000	2016 QAR'000
Up to 30 days	**1,492,349**	766,042
31 to 60 days	**1,716,215**	871,716
61 – 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).

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 QAR'000	2016 QAR'000
Average for the year	**102.50%**	95.50%
Maximum for the year	**122.67%**	104.90%
Minimum for the year	**86.12%**	87.14%

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) 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 QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months – 1 year QAR'000	Subtotal 1 year QAR'000	Above 1 year QAR'000	Undated QAR'000
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)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

	Carrying amount QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months – 1 year QAR'000	Subtotal 1 year QAR'000	Above 1 year QAR'000	Undated QAR'000
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)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

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

	Carrying amount QAR'000	Upto 3 months QAR'000	3 months to 1 year QAR'000	1-5 years QAR'000	Above 5 years QAR'000
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

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 QAR'000	Gross undis-counted cash flows QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months-1 year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
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**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

Derivative financial instruments:

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

31 December 2017	Total QAR'000	Up to 1 Year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
Derivative financial instruments:				
Outflow	**(7,111,781)**	**(7,111,781)**	-	-
Inflow	**7,194,020**	**7,194,020**	-	-

	Carrying amount QAR'000	Gross undis-counted cash flows QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months-1 year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
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.

31 December 2016	Total QAR'000	Up to 1 Year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
Derivative financial instruments:				
Outflow	(30,716,511)	(30,716,511)	-	-
Inflow	30,748,829	30,748,829	-	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risk

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.

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:

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

		Repricing in:			
	Carrying amount QAR'000	Less than 3 months QAR'000	3-12 months QAR'000	Above 1 year QAR'000	Non-interest sensitive QAR'000
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	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

		Repricing in:			
	Carrying amount QAR'000	Less than 3 months QAR'000	3-12 months QAR'000	Above 1 year QAR'000	Non-interest sensitive QAR'000
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	-

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (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 QAR'000	10 bp parallel decrease QAR'000
Sensitivity of net interest income		
At 31 December 2017	**(6,154)**	**6,154**
At 31 December 2016	(5,673)	5,673

	10 bp parallel increase QAR'000	10 bp parallel decrease QAR'000
Sensitivity of reported equity to interest rate movements		
At 31 December 2017	**(31,720)**	**31,720**
At 31 December 2016	(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:

Net foreign currency exposure:	**2017 QAR'000**	2016 QAR'000
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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

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:

	Increase / (decrease) in profit or loss	
	2017 QAR'000	2016 QAR'000
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 QAR'000	**Effect on income statement QAR'000**	Effect on OCI QAR'000	Effect on income statement QAR'000
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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Operational risks (continued)

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.

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 QAR'000	2016 QAR'000
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 QAR'000	2016 Basel III Risk weighted amount QAR'000
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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Capital management (contined)

	2017 QAR'000	2016 QAR'000
Risk weighted assets	**78,885,775**	79,471,199
Total eligible capital	**13,812,404**	12,374,445
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 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.

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

a) Key sources of estimation uncertainty (continued)

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.

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.

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 QAR'000	Level 2 QAR'000	Level 3 QAR'000	Total QAR'000
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.

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2016:

	Date of valuation	Level 1 QAR'000	Level 2 QAR'000	Level 3 QAR'000	Total QAR'000
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.

5. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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.

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.

6. OPERATING SEGMENTS (CONTINUED)

Insurance Activities

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

a) By operating segment

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

	2017					
	Corporate Banking QAR'000	Retail Banking QAR'000	Unallocated QAR'000	Total QAR'000	Insurance QAR'000	Total QAR'000
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 associates						**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**

6. OPERATING SEGMENTS (CONTINUED)

a) By operating segment (continued)

	2016					
	Corporate Banking QAR'000	Retail Banking QAR'000	Unallocated QAR'000	Total QAR'000	Insurance QAR'000	Total QAR'000
Interest 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 associates						(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

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 QAR'000	Other GCC QAR'000	India QAR'000	Total QAR'000
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

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:

	Fair value through profit or loss QAR'000	Held to maturity QAR'000	Loans and receivables QAR'000	Available-for-sale QAR'000	Other amortised cost QAR'000	Total carrying amount QAR'000	Fair value QAR'000
31 December 2017							
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

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:

	Fair value through profit or loss QAR'000	Held to maturity QAR'000	Loans and receivables QAR'000	Available-for-sale QAR'000	Other amortised cost QAR'000	Total carrying amount QAR'000	Fair value QAR'000
31 December 2016							
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.

8. CASH AND BALANCES WITH CENTRAL BANKS

	2017 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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

	2017 QAR'000	2016 QAR'000
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

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 QAR'000	2016 QAR'000
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 QAR'000**	**Overdrafts QAR'000**	**Bills discounted QAR'000**	**Other loans QAR'000**	**Total QAR'000**
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

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

b) By industry (continued)

At 31 December 2016	Loans QAR'000	Overdrafts QAR'000	Bills discounted QAR'000	Other loans QAR'000	Total QAR'000
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 QAR'000	2016 QAR'000
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).

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 QAR'000	SME lending QAR'000	Retail lending QAR'000	Real Estate Mortgage lending QAR'000	Total QAR'000
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/transfers 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 QAR'000	SME lending QAR'000	Retail lending QAR'000	Real Estate Mortgage lending QAR'000	Total QAR'000
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 QAR'000	2016 QAR'000
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.

11. INVESTMENT SECURITIES (CONTINUED)

a) Available-for-sale

	2017			2016		
	Quoted QAR'000	**Unquoted QAR'000**	**Total QAR'000**	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
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 QAR'000	**Unquoted QAR'000**	**Total QAR'000**	Quoted QAR'000	Unquoted QAR'000	Total QAR'000
-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	**347,082**	**835,683**	**1,182,765**	381,721	997,129	1,378,850
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
-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).

11. INVESTMENT SECURITIES (CONTINUED)

c) Movement in impairment losses on investment securities

	2017 QAR'000	2016 QAR'000
Balance at 1 January	229,788	213,602
Provision for impairment loss during the year	142,067	139,499
Recoveries during the year	(110,699)	(123,313)
Balance at 31 December	261,156	229,788

12. INVESTMENT IN AN ASSOCIATE

	2017 QAR'000	2016 QAR'000
Balance at 1 January	10,343	8,908
Foreign currency translation	693	(257)
Acquisitions 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 QAR'000	2016 QAR'000
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)

13. PROPERTY, FURNITURE AND EQUIPMENT

	Land and buildings QAR'000	Leasehold improvements QAR'000	Furniture and equipment QAR'000	Vehicles QAR'000	Total QAR'000
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 for the year	**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 QAR'000	Leasehold improvements QAR'000	Furniture and equipment QAR'000	Vehicles QAR'000	Total QAR'000
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 / write-off	(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 for the year	32,673	13,210	47,127	632	93,642
Disposals / write-off	(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

14. OTHER ASSETS

	2017 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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

16. CUSTOMER DEPOSITS (CONTINUED)

b) By sector

	2017 QAR'000	2016 QAR'000
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

17. DEBT SECURITIES

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

	2017 QAR'000	2016 QAR'000
Senior guaranteed notes (b)	**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 QAR'000	2016 QAR'000
Term loan facilities	**5,432,936**	4,994,474

The table below shows the maturity profile of other borrowings.

	2017 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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).

Note-i

Provision for end of service benefits

	2017 QAR'000	2016 QAR'000
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 have been paid to all staff in 2016.

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).

20. EQUITY (CONTINUED)

d) Fair value reserve

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

	2017 QAR'000	2016 QAR'000
Balance at 1 January	(103,412)	(269,676)
Net unrealized (loss) gain 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 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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

22. INTEREST EXPENSE

	2017 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
Bank fees	1,051	1,185
Others	50,737	41,984
	51,788	43,169

25. FOREIGN EXCHANGE GAIN

	2017 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
Net gains/(loss) on investment securities	10,571	(5,095)
Dividend income	39,251	60,679
	49,822	55,584

27. OTHER OPERATING INCOME

	2017 QAR'000	2016 QAR'000
Recoveries from the loans and advances previous 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 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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 stationary	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 QAR'000	2016 QAR'000
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 expense reported in the statement of income	**(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 QAR'000	2016 QAR'000
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 has been calculated 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 QAR'000	2016 QAR'000
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.

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

	2017 QAR'000	2016 QAR'000
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 QAR'000	2016 QAR'000
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.

34. DERIVATIVES

At 31 December 2017:	Positive fair value QAR'000	Negtive fair value QAR'000	Notional amount QAR'000	Notional / expected amount by term to maturity within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
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

At 31 December 2016:	Positive fair value QAR'000	Negative fair value QAR'000	Notional amount QAR'000	Notional / expected amount by term to maturity within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
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

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.

35. RELATED PARTIES (CONTINUED)

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

	2017		2016	
	Board of directors QAR'000	**Others QAR'000**	Board of directors QAR'000	Others QAR'000
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 QAR'000	2016 QAR'000
Salaries and other benefits	**63,763**	57,282
End of service indemnity benefits and provident	**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.

FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	2017 QAR'000	2016 QAR'000
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

FINANCIAL STATEMENTS OF THE PARENT (CONTINUED)
SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)
Income Statement – Parent Bank

For the year ended 31 December	2017 QAR'000	2016 QAR'000
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	(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 expense	1,291	2,158
Profit for the year	1,109,493	1,050,765

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