Doha Bank Q.S.C.
Doha - Qatar

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

CONTENTS

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOHA BANK Q.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Doha Bank Q.S.C. (the 'Bank') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations, and for such internal control as board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOHA BANK Q.S.C. (CONTINUED)

Report on other legal and regulatory matters

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group and that we are not aware of any contravention by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank Law No.13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015 during the financial year that would materially affect its activities or its financial position.

Firas Qoussous
Ernst & Young
Qatar Auditors' Registry No. 236

Date: 24 January 2016
Doha

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	***2015 QAR'000***	*2014 QAR'000*
ASSETS			
Cash and balances with central banks	8	**3,562,821**	3,303,651
Due from banks	9	**10,385,414**	12,246,782
Loans and advances to customers	10	**55,615,185**	48,558,521
Investment securities	11	**12,198,232**	9,855,718
Investment in an associate	12	**8,908**	9,244
Property, furniture and equipment	13	**785,787**	761,011
Other assets	14	**752,766**	782,635
TOTAL ASSETS		**83,309,113**	75,517,562
LIABILITIES			
Due to banks	15	**8,776,130**	12,794,735
Customer deposits	16	**52,766,613**	45,946,575
Debt securities	17	**2,587,728**	2,582,478
Other borrowings	18	**3,452,534**	727,681
Other liabilities	19	**2,518,809**	2,173,340
TOTAL LIABILITIES		**70,101,814**	64,224,809
EQUITY			
Share capital	20 (a)	**2,583,723**	2,583,723
Legal reserve	20 (b)	**4,316,950**	4,313,177
Risk reserve	20 (c)	**1,292,000**	1,140,000
Fair value reserve	20 (d)	**(269,676)**	(57,574)
Foreign currency translation reserve	20 (e)	**(19,825)**	(10,595)
Proposed dividend	20 (f)	**775,117**	1,033,489
Retained earnings		**529,010**	290,533
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		**9,207,299**	9,292,753
Instrument eligible as additional capital	20 (g)	**4,000,000**	2,000,000
TOTAL EQUITY		**13,207,299**	11,292,753
TOTAL LIABILITIES AND EQUITY		**83,309,113**	75,517,562

These consolidated financial statements were approved by the Board of Directors on 24 January 2016 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 38 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2015

	Notes	***2015 QAR'000***	*2014 QAR'000*
Interest income	21	**2,842,175**	2,507,235
Interest expense	22	**(794,570)**	(565,953)
Net interest income		**2,047,605**	1,941,282
Fee and commission income	23	**503,096**	522,264
Fee and commission expense	24	**(6,551)**	(6,222)
Net fee and commission income		**496,545**	516,042
Gross written premium		**88,294**	107,081
Premium ceded		**(35,108)**	(49,169)
Net claims paid		**(26,263)**	(36,361)
Net income from insurance activities		**26,923**	21,551
Foreign exchange gain	25	**97,541**	97,145
Income from investment securities	26	**69,541**	221,573
Other operating income	27	**73,428**	62,033
		240,510	380,751
Net operating income		**2,811,583**	2,859,626
Staff costs	28	**(520,524)**	(523,489)
Depreciation	13	**(81,800)**	(83,575)
Impairment loss on investment securities	11	**(109,652)**	(30,174)
Net impairment loss on loans and advances to customers	10	**(293,169)**	(439,149)
Other expenses	29	**(428,327)**	(413,043)
		(1,433,472)	(1,489,430)
Share of results of the associate	12	**168**	42
Profit for the year before tax		**1,378,279**	1,370,238
Tax expense	30	**(4,569)**	(11,580)
Profit for the year		**1,373,710**	1,358,658
Earnings per share			
Basic earnings per share (QAR per share)	31	**4.66**	4.79
Diluted earnings per share (QAR per share)	31	**4.66**	4.79

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	***2015*** ***QAR'000***	*2014* *QAR'000*
Profit for the year		**1,373,710**	1,358,658
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences for foreign operations		**(9,230)**	(5,948)
Net change in fair value of available-for-sale investment securities	20	**(212,102)**	(14,219)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods		**(221,332)**	(20,167)
Items not to be reclassified to profit or loss in subsequent periods		**-**	-
Other comprehensive loss		**(221,332)**	(20,167)
Total comprehensive income for the year		**1,152,378**	1,338,491

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Equity attributable to shareholders of the Bank									
	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Proposed dividend*	*Retained earnings*	*Total*	*Instrument eligible as additional capital*	*Total equity*
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Balance as at 1 January 2015	2,583,723	4,313,177	1,140,000	(57,574)	(10,595)	1,033,489	290,533	9,292,753	2,000,000	11,292,753
Total comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	1,373,710	1,373,710	-	1,373,710
Other comprehensive income	-	-	-	(212,102)	(9,230)	-	-	(221,332)	-	(221,332)
Total comprehensive income for the year	-	-	-	(212,102)	(9,230)	-	1,373,710	1,152,378		1,152,378
Transfer to legal reserve	-	3,773	-	-	-	-	(3,773)	-	-	-
Transfer to risk reserve	-	-	152,000	-	-	-	(152,000)	-	-	-
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(170,000)	(170,000)	-	(170,000)
Issuance of additional tier 1 capital instruments (Note 20 g)	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Contribution to social and sports fund	-	-	-	-	-	-	(34,343)	(34,343)	-	(34,343)
Dividends paid (Note 20 f)	-	-	-	-	-	(1,033,489)	-	(1,033,489)	-	(1,033,489)
Proposed dividends (Note 20 f)	-	-	-	-	-	775,117	(775,117)	-	-	-
Balance as at 31 December 2015	**2,583,723**	**4,316,950**	**1,292,000**	**(269,676)**	**(19,825)**	**775,117**	**529,010**	**9,207,299**	**4,000,000**	**13,207,299**

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2015

	Equity attributable to shareholders of the Bank									
	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserve*	*Foreign currency translation reserve*	*Proposed dividend*	*Retained earnings*	*Total*	*Instrument eligible as additional capital*	*Total equity*
	QAR'000	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*	*QAR'000*
Balance as at 1 January 2014	2,583,723	4,311,133	960,650	(43,355)	(4,647)	1,162,675	300,724	9,270,903	2,000,000	11,270,903
Total comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	1,358,658	1,358,658	-	1,358,658
Other comprehensive income	-	-	-	(14,219)	(5,948)	-	-	(20,167)	-	(20,167)
Total comprehensive income for the year	-	-	-	(14,219)	(5,948)	-	1,358,658	1,338,491	-	1,338,491
Transfer to legal reserve	-	2,044	-	-	-	-	(2,044)	-	-	-
Transfer to risk reserve	-	-	179,350	-	-	-	(179,350)	-	-	-
Interest on Tier 1 Capital notes	-	-	-	-	-	-	(120,000)	(120,000)	-	(120,000)
Contribution to social and sports fund	-	-	-	-	-	-	(33,966)	(33,966)	-	(33,966)
Dividends paid	-	-	-	-	-	(1,162,675)	-	(1,162,675)	-	(1,162,675)
Proposed dividends (Note 20 f)	-	-	-	-	-	1,033,489	(1,033,489)	-	-	-
Balance as at 31 December 2014	2,583,723	4,313,177	1,140,000	(57,574)	(10,595)	1,033,489	290,533	9,292,753	2,000,000	11,292,753

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 QAR'000	2014 QAR'000
Cash flows from operating activities			
Profit for the year before tax		**1,378,279**	1,370,238
Adjustments for:			
Net impairment loss on loans and advances to customers	10	**293,169**	439,149
Impairment loss on investment securities	11	**109,652**	30,174
Depreciation	13	**81,800**	83,575
Amortisation of financing cost		**7,180**	6,647
Net gains on investment securities	26	**(30,673)**	(185,349)
Profit on sale of property, plant and equipment		**597**	-
Share of results of the associate	12	**(168)**	(42)
Profit before changes in operating assets and liabilities		**1,839,836**	1,744,392
Change in due from banks		**(554,000)**	(1,939,338)
Change in loans and advances to customers		**(7,198,263)**	(8,709,320)
Change in other assets		**25,303**	(10,538)
Change in due to banks		**(4,018,605)**	5,074,954
Change in customer deposits		**6,820,038**	3,424,086
Change in other liabilities		**131,770**	561,452
Social and sports fund contribution		**(33,966)**	(32,816)
Income tax paid		**(22,823)**	(11,614)
Net cash used in operating activities		**(3,010,710)**	101,258
Cash flows from investing activities			
Acquisition of investment securities		**(10,587,113)**	(8,380,613)
Proceeds from sale of investment securities		**7,954,022**	10,772,456
Acquisition of property, furniture and equipment	13	**(77,326)**	(85,160)
Proceeds from the sale of property, furniture and equipment		**745**	45
Acquisition of foreign branches, net of cash		**17,416**	-
Net cash (used in) from investing activities		**(2,692,256)**	2,306,728
Cash flows from financing activities			
Proceeds from issuance of instrument eligible as additional capital	20	**2,000,000**	-
Proceeds from other borrowings	18	**2,717,673**	272,493
Distribution on Tier 1 capital notes		**(120,000)**	(120,000)
Dividends paid		**(1,033,489)**	(1,162,675)
Net cash from financing activities		**3,564,184**	(1,010,182)
Net increase in cash and cash equivalents		**(2,138,782)**	1,397,804
Cash and cash equivalents as at 1 January		**9,696,183**	8,298,379
Cash and cash equivalents at 31 December	33	**7,557,401**	9,696,183
Interest received		**2,433,661**	2,586,596
Interest paid		**709,946**	554,607
Dividends received		**38,868**	36,224

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

1 REPORTING ENTITY

Doha Bank Qatari Public Shareholding Company ("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 30 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 and South Africa. In addition, the Bank owns 100% of the issued share capital of Doha Bank Assurance Company L.L.C., an insurance company registered under Qatar Financial Centre and Doha Finance Limited, a special purpose vehicle set up for the issuance of debt. The consolidated financial statements for the year ended 31 December 2015 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 2015*	*Percentage of ownership 2014*
Doha Bank Assurance Company L.L.C.	Qatar	100,000	General Insurance	100%	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	100%	100%

The consolidated financial statements for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 24 January 2016

2 BASIS OF PREPARATION

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

Basis of preparation
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.

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.

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. 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

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 2015 :

Amendments to IAS 19 Defined Benefits Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvement Cycle: 2010-2012

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. These improvements include:

- *IFRS 2 Share-based Payment*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. This improvement is not relevant to the Group, since none of the entities within the Group offer share based payment schemes.

- *IFRS 3 Business Combinations*
  The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

- *IFRS 8 Operating Segments*
  The amendments are applied retrospectively and clarify that:
  a) An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.

  b) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  This amendment is not applicable to the Group as the Group has not aggregated any of its segments. As disclosed in note 6, the Group only has 2 segments i.e. banking and insurance segments which are presented separately in these consolidated financial statements.

- *IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*
  The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the Group as the Group does not revalue its Property, Plant and Equipment and does not have any intangible assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annual Improvement Cycle: 2010-2012 (continued)

- *IAS 24 Related Party Disclosures*
  The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle
These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these interim condensed consolidated financial statements. They include:

- *IFRS 3 Business Combinations*
  The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
  • Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
  • This scope exception applies only to the accounting in the financial statements of the joint arrangement itself
  The Group and neither of its entities is a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

- *IFRS 13 Fair Value Measurement*
  The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. This is not applicable as the Group does not apply the portfolio exception in IFRS 13.

- *IAS 40 Investment Property*
  The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. The Group does not own any investment properties and hence this amendment is not applicable.

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Topic	
IFRS 9 Financial Instruments	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 11 Joint Arrangement: Accounting for acquisition of interest	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to IAS 27: Equity method in separate financial statements	1 January 2016

The Group is assessing the impact of implementation of these standards.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("the Group") as at 31 December 2015. 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 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.

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 statement of profit or loss.

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 profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)
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.

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

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

Company name	*Country of incorporation and operation*	*Ownership interest %*		*Principal activity*
		2015	*2014*	
Doha Brokerage and Financial Services Limited	India	**44.02%**	44.02%	Brokerage and assets management

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency (continued)
Foreign currency transactions and balances (continued)
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.

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.

Financial assets and financial liabilities

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.

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;
- available-for-sale; or
- fair value through profit of loss

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Derecognition (continued)
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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

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

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

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

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

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 decline in the market value by 20% from cost or more, or for a continuous period of 9 months or more, 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

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 are recorded after obtaining approvals from QCB for such write-offs.

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivatives (continued)

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.

Property and equipment

Recognition and measurement

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

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

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

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

Subsequent costs

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

Depreciation

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

Depreciation (continued)

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.

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.

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.

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.

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.

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

With respect to Qatari 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.

With respect to expatriate employees, the Group makes a contribution to the Provident Fund calculated on a percentage of the employees' salaries, in accordance with the Group policy and procedures. The Group's obligations are limited to these contributions.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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.

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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 period. 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.

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.

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.

Repossessed collateral
Repossessed collaterals against settlement of customers’ debts are stated within the consolidated statement of financial position under "Other assets" at their acquisition 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Parent bank financial information

Statement of financial position and income statement of the Parent bank as disclosed in Note 38 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

Introduction and overview

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

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

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

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

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

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

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

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.

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk measurement (continued)
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.

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

	2015 ***QAR'000***	*2014* *QAR'000*
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	**3,086,661**	2,780,878
Due from banks	**10,385,414**	12,246,782
Loans and advances to customers	**55,615,185**	48,558,521
Investment securities – debt	**10,839,918**	8,950,522
Other assets	**592,098**	623,016
Total as at 31 December	**80,519,276**	73,159,719
Other credit risk exposures are as follows:		
Guarantees	**23,335,322**	20,231,382
Letters of credit	**3,058,478**	3,058,424
Unutilised credit facilities	**7,253,819**	9,533,640
Total as at 31 December	**33,647,619**	32,823,446
	114,166,895	105,983,165

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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***	***2015 Total QAR'000***
Balances with central banks	**2,151,468**	**930,017**	**-**	**5,176**	**3,086,661**
Due from banks	**4,618,031**	**751,402**	**2,123,727**	**2,892,254**	**10,385,414**
Loans and advances to customers	**40,684,291**	**9,172,837**	**865,264**	**4,892,793**	**55,615,185**
Investment securities - debt	**9,199,503**	**1,175,666**	**52,534**	**412,215**	**10,839,918**
Other assets	**547,992**	**31,849**	**-**	**12,257**	**592,098**
	57,201,285	**12,061,771**	**3,041,525**	**8,214,695**	**80,519,276**

	Qatar QAR'000	*Other GCC QAR'000*	*Other Middle East QAR'000*	*Rest of the World QAR'000*	*2014 Total QAR'000*
Balances with central banks	1,971,159	809,574	-	145	2,780,878
Due from banks	4,942,250	1,255,394	7,943	6,041,195	12,246,782
Loans and advances to customers	36,204,841	8,433,196	474,076	3,446,408	48,558,521
Investment securities - debt	7,706,441	873,614	-	370,467	8,950,522
Other assets	577,162	39,752	-	6,102	623,016
	51,401,853	11,411,530	482,019	9,864,317	73,159,719

	Qatar QAR'000	***Other GCC QAR'000***	***Other Middle East QAR'000***	***Rest of the World QAR'000***	***2015 Total QAR'000***
Guarantees	**13,107,032**	**4,575,860**	**464,719**	**5,187,711**	**23,335,322**
Letters of credit	**1,578,788**	**516,986**	**138,987**	**823,717**	**3,058,478**
Unutilised credit facilities	**5,557,620**	**1,670,281**	**-**	**25,918**	**7,253,819**
	20,243,440	**6,763,127**	**603,706**	**6,037,346**	**33,647,619**

	Qatar QAR'000	*Other GCC QAR'000*	*Other Middle East QAR'000*	*Rest of the World QAR'000*	*2014 Total QAR'000*
Guarantees	11,620,967	4,522,258	93,653	3,994,504	20,231,382
Letters of credit	1,771,159	310,225	221,622	755,418	3,058,424
Unutilised credit facilities	8,767,007	766,633	-	-	9,533,640
	22,159,133	5,599,116	315,275	4,749,922	32,823,446

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

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

	Gross exposure 2015 QAR'000	*Gross exposure 2014 QAR'000*
Funded and unfunded		
Government and related agencies	**15,793,933**	14,755,565
Industry	**3,061,313**	2,341,117
Commercial	**9,220,553**	8,810,728
Services	**20,169,835**	18,406,815
Contracting	**9,042,053**	7,519,278
Real estate	**11,536,185**	9,752,113
Personal	**10,374,915**	10,129,399
Others	**1,320,489**	1,444,704
Guarantees	**23,335,322**	20,231,382
Letters of credit	**3,058,478**	3,058,424
Unutilised credit facilities	**7,253,819**	9,533,640
	114,166,895	105,983,165

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

	2015 QAR'000	*2014 QAR'000*
Equivalent grades		
Sovereign (State of Qatar)	**12,267,995**	11,892,636
AAA to AA-	**2,405,828**	1,947,248
A+ to A-	**6,164,453**	5,959,708
BBB+ to BBB-	**3,254,344**	2,005,035
BB+ to B-	**1,470,186**	2,122,561
Below B-	**26,122**	25,423
Unrated (equivalent internal grading)	**88,577,967**	82,030,554
	114,166,895	105,983,165

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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*	
	2015 QAR'000	*2014 QAR'000*	***2015 QAR'000***	*2014 QAR'000*	***2015 QAR'000***	*2014 QAR'000*
Neither past due nor impaired (low risk):						
Standard monitoring	**52,284,944**	46,146,806	**10,385,414**	12,246,782	**10,777,394**	8,855,722
Special monitoring	**89,734**	134,324	**-**	-	-	-
	52,374,678	46,281,130	**10,385,414**	12,246,782	**10,777,394**	8,855,722
Past due but not impaired						
Standard monitoring	**888,650**	628,188	**-**	-	-	-
Special monitoring	**2,520,728**	1,864,702	**-**	-	-	-
	3,409,378	2,492,890	**-**	-	**-**	-
Impaired						
Substandard	**287,388**	224,694	**-**	**-**	**79,556**	112,997
Doubtful	**303,755**	210,002	**-**	**-**	**-**	-
Loss	**1,290,101**	1,125,190	**-**	**-**	**-**	-
	1,881,244	1,559,886	**-**	**-**	**79,556**	112,997
Less: Impairment allowance-specific	**(1,926,652)**	(1,642,728)	**-**	-	**(17,032)**	(18,197)
Less: Impairment allowance-collective	**(123,463)**	(132,657)	**-**	-	-	-
	(2,050,115)	(1,775,385)	**-**	-	**(17,032)**	(18,197)
Carrying amount – net	**55,615,185**	48,558,521	**10,385,414**	12,246,782	**10,839,918**	8,950,522
Investment securities - debt						
Held to maturity	-	-	**-**	-	**5,738,356**	4,541,449
Held for trading	-	-	-	-	**5,328**	31,278
Available for sale	-	-	-	-	**5,113,266**	4,395,992
Less: Impairment allowance	-	-	-	-	**(17,032)**	(18,197)
Carrying amount – net	-	-	**-**	-	**10,839,918**	8,950,522
Total carrying amount	**55,615,185**	48,558,521	**10,385,414**	12,246,782	**10,839,918**	8,950,522

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

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

	2015 ***QAR'000***	*2014* *QAR'000*
Up to 30 days	**443,883**	1,198,157
31 to 60 days	**726,897**	331,298
61 to 90 days	**2,238,598**	963,435
Gross	**3,409,378**	2,492,890

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 3,021 million as of 31 December 2015 (2014: QAR 4,093 million).

The aggregate collateral in respect to the loans and advances to customers are QAR 43,651 million as of 31 December 2015 (2014: QAR 35,539 million).

Repossessed collateral
As at 31 December 2015, the Group had assets by taking possession of collateral held as security amounting to QAR Nil (2014: QAR 31.4 million).

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the consolidated statement of financial position within other assets.

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 QAR130 million (2014: QAR 12 million).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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 at the reporting date and during the year were as follows:

	2015	*2014*
At 31 December		
Average for the year	**105.85%**	118.55%
Maximum for the year	**114.49%**	132.65%
Minimum for the year	**91.58%**	108.40%

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities

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

	Carrying amount 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 2015							
Cash and balances with central banks	**3,562,821**	**1,327,949**	**71,663**	**-**	**1,399,612**	**-**	**2,163,209**
Due from banks	**10,385,414**	**6,092,966**	**764,429**	**2,038,001**	**8,895,396**	**1,490,018**	**-**
Loans and advances to customers	**55,615,185**	**14,412,618**	**5,037,509**	**5,365,768**	**24,815,895**	**30,799,290**	**-**
Investment securities	**12,198,232**	**1,475,304**	**171,425**	**601,334**	**2,248,063**	**8,591,854**	**1,358,315**
Investment in an associate	**8,908**	**-**	**-**	**-**	**-**	**-**	**8,908**
Property, furniture and equipment	**785,787**	**-**	**-**	**-**	**-**	**-**	**785,787**
Other assets	**752,766**	**752,766**	**-**	**-**	**752,766**	**-**	**-**
Total	**83,309,113**	**24,061,603**	**6,045,026**	**8,005,103**	**38,111,732**	**40,881,162**	**4,316,219**
Due to banks	**8,776,130**	**7,014,908**	**36,416**	**1,500,827**	**8,552,151**	**223,979**	**-**
Customer deposits	**52,766,613**	**23,564,382**	**20,577,129**	**8,405,134**	**52,546,645**	**219,968**	**-**
Debt securities	**2,587,728**	**-**	**-**	**772,736**	**772,736**	**1,814,992**	**-**
Other borrowings	**3,452,534**	**-**	**250,077**	**26,301**	**276,378**	**3,176,156**	**-**
Other liabilities	**2,518,809**	**2,518,809**	**-**	**-**	**2,518,809**	**-**	**-**
Total equity	**13,207,299**	**-**	**-**	**-**	**-**	**-**	**13,207,299**
Total	**83,309,113**	**33,098,099**	**20,863,622**	**10,704,998**	**64,666,719**	**5,435,095**	**13,207,299**
Maturity gap	**-**	**(9,036,496)**	**(14,818,596)**	**(2,699,895)**	**(26,554,987)**	**35,446,067**	**(8,891,080)**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (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 2014							
Cash and balances with central banks	3,303,651	1,106,447	161,224	74,269	1,341,940	-	1,961,711
Due from banks	12,246,782	5,181,748	3,172,495	3,490,965	11,845,208	401,574	-
Loans and advances to customers	48,558,521	15,549,869	2,986,291	6,386,268	24,922,428	23,636,093	-
Investment securities	9,855,718	624,743	599,786	116,626	1,341,155	7,609,366	905,197
Investment in an associate	9,244	-	-	-	-	-	9,244
Property, furniture and equipment	761,011	-	-	-	-	-	761,011
Other assets	782,635	782,635	-	-	782,635	-	-
Total	75,517,562	23,245,442	6,919,796	10,068,128	40,233,366	31,647,033	3,637,163
Due to banks	12,794,735	10,770,650	905,976	1,118,109	12,794,735	-	-
Customer deposits	45,946,575	23,490,615	16,275,671	6,019,956	45,786,242	160,333	-
Debt securities	2,582,478	-	-	-	-	2,582,478	-
Other borrowings	727,681	-	-	363,531	363,531	364,150	-
Other liabilities	2,173,340	2,173,340	-	-	2,173,340	-	-
Total equity	11,292,753	-	-	-	-	-	11,292,753
Total	75,517,562	36,434,605	17,181,647	7,501,596	61,117,848	3,106,961	11,292,753
Maturity gap	-	(13,189,163)	(10,261,851)	2,566,532	(20,884,482)	28,540,072	(7,655,590)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

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

	Carrying amount QAR'000	*Up to 3 months QAR'000*	*3 months – 1 year QAR'000*	*1-5 years QAR'000*	*Above 5 years QAR'000*
31 December 2015					
Guarantees	**23,335,322**	**6,448,671**	**6,996,870**	**9,813,447**	**76,334**
Letters of credit	**3,058,478**	**1,804,203**	**534,976**	**718,113**	**1,186**
Unutilised credit facilities	**7,253,819**	**2,405,384**	**2,667,334**	**1,907,909**	**273,192**
Total	**33,647,619**	**10,658,258**	**10,199,180**	**12,439,469**	**350,712**
31 December 2014					
Guarantees	20,231,382	5,429,942	6,788,447	7,457,221	555,772
Letters of credit	3,058,424	1,971,715	981,462	104,060	1,187
Unutilised credit facilities	9,533,640	3,826,124	4,193,420	1,514,096	-
Total	32,823,446	11,227,781	11,963,329	9,075,377	556,959

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

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

	Carrying amount QAR'000	*Gross undiscounted 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 2015							
Non-derivative financial liabilities							
Due to banks	**8,776,130**	**8,811,137**	**7,025,439**	**36,580**	**1,521,104**	**228,014**	-
Customer deposits	**52,766,613**	**52,939,903**	**23,574,427**	**20,623,206**	**8,502,451**	**239,819**	-
Debt securities	**2,587,728**	**2,680,721**	-	**19,907**	**832,900**	**1,827,914**	**-**
Other borrowings	**3,452,534**	**3,527,670**	-	**260,431**	**55,571**	**3,211,668**	-
Other liabilities	**2,498,743**	**2,498,743**	**2,498,743**	-	-	-	-
Total liabilities	**70,081,748**	**70,458,174**	**33,098,609**	**20,940,124**	**10,912,026**	**5,507,415**	**-**

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

	Total QAR'000	*Up to 1 Year QAR'000*	*1 - 5 years QAR'000*	*More than 5 years QAR'000*
Derivative financial instruments:				
Outflow	**(11,037,704)**	**(8,699,367)**	**(2,338,337)**	-
Inflow	**11,046,514**	**8,719,070**	**2,327,444**	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount QAR'000	*Gross undiscounted 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 2014							
Non-derivative financial liabilities							
Due to banks	12,794,735	12,864,039	10,775,981	921,969	1,166,089	-	-
Customer deposits	45,946,575	46,026,875	23,500,578	16,296,489	6,045,480	184,328	-
Debt securities	2,582,478	2,755,237	-	18,974	58,249	2,678,014	-
Other borrowings	727,681	734,579	-	1,761	367,931	364,887	-
Other liabilities	2,120,654	2,120,654	2,120,654	-	-	-	-
Total liabilities	64,172,123	64,501,384	36,397,213	17,239,193	7,637,749	3,227,229	-

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

	Total QAR'000	*Up to 1 Year QAR'000*	*1 - 5 years QAR'000*	*More than 5 years QAR'000*
Derivatives financial instruments :				
Outflow	(5,570,435)	(5,570,435)	-	-
Inflow	5,553,945	5,553,945	-	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

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

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

		Repricing in:			
	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*Non-interest sensitive QAR'000*
31 December 2015					
Cash and cash equivalents	**3,562,821**	**-**	**-**	**-**	**3,562,821**
Due from banks	**10,385,414**	**9,792,531**	**584,301**	**6,471**	**2,111**
Loans and advances to customers	**55,615,185**	**24,065,496**	**5,169,713**	**23,781,982**	**2,597,994**
Investment securities	**12,198,232**	**1,646,790**	**601,334**	**8,591,793**	**1,358,315**
Investment in an associate	**8,908**	**-**	**-**	**-**	**8,908**
Property, furniture and equipment	**785,787**	**-**	**-**	**-**	**785,787**
Other assets	**752,766**	**-**	**-**	**-**	**752,766**
	83,309,113	**35,504,817**	**6,355,348**	**32,380,246**	**9,068,702**
Due to banks	**8,776,130**	**7,107,334**	**1,500,827**	**-**	**167,969**
Customer deposits	**52,766,613**	**30,464,855**	**8,405,134**	**219,968**	**13,676,656**
Debt securities	**2,587,728**	**772,736**	**-**	**1,814,992**	**-**
Other borrowings	**3,452,534**	**3,452,534**	**-**	**-**	**-**
Other liabilities	**2,518,809**	**-**	**-**	**-**	**2,518,809**
Total equity	**13,207,299**	**-**	**-**	**-**	**13,207,299**
	83,309,113	**41,797,459**	**9,905,961**	**2,034,960**	**29,570,733**
Interest rate sensitivity gap	**-**	**(6,292,642)**	**(3,550,613)**	**30,345,286**	**(20,502,031)**
Cumulative interest rate sensitivity gap	**-**	**(6,292,642)**	**(9,843,255)**	**20,502,031**	**-**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

Exposure to interest rate risk (continued)

		Repricing in:			
	Carrying amount QAR'000	*Less than 3 months QAR'000*	*3-12 months QAR'000*	*1-5 years QAR'000*	*Non-interest sensitive QAR'000*
31 December 2014					
Cash and cash equivalents	3,303,651	448,505	74,269	-	2,780,877
Due from banks	12,246,782	9,206,808	2,937,449	-	102,525
Loans and advances to customers	48,558,521	20,920,544	5,734,801	19,778,149	2,125,027
Investment securities	9,855,718	1,224,529	116,626	7,614,630	899,933
Investment in an associate	9,244	-	-	-	9,244
Property, furniture and equipment	761,011	-	-	-	761,011
Other assets	782,635	-	-	-	782,635
	75,517,562	31,800,386	8,863,145	27,392,779	7,461,252
Due to banks	12,794,735	11,549,714	1,118,109	-	126,912
Customer deposits	45,946,575	25,387,828	6,019,956	160,333	14,378,458
Debt securities	2,582,478	773,273	-	1,809,205	-
Other borrowings	727,681	636,643	91,038	-	-
Other liabilities	2,173,340	-	-	-	2,173,340
Total equity	11,292,753	-	-	-	11,292,753
	75,517,562	38,347,458	7,229,103	1,969,538	27,971,463
Interest rate sensitivity gap	-	(6,547,072)	1,634,042	25,423,241	(20,510,211)
Cumulative interest rate sensitivity gap	-	(6,547,072)	(4,913,030)	20,510,211	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Sensitivity analysis

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

	10 bp parallel increase QAR'000	*10 bp parallel decrease QAR'000*
Sensitivity of net interest income		
2015		
At 31 December	**(6,293)**	**6,293**
2014		
At 31 December	(6,547)	6,547

	10 bp parallel increase QAR'000	*10 bp parallel decrease QAR'000*
Sensitivity of reported equity to interest rate movements		
2015		
At 31 December	**(12,100)**	**12,100**
2014		
At 31 December	(12,393)	12,393

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.

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 :

	2015 QAR'000	*2014 QAR'000*
Net foreign currency exposure:		
Pound Sterling	**7,785**	-
Euro	**11,310**	136,487
Kuwaiti Dinar	**515,578**	6,101
Japanese Yen	**58**	4,665
Other currencies	**384,162**	516,157

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:

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

	Increase / (decrease) in profit or loss	
	2015 QAR'000	*2014 QAR'000*
5% increase / (decrease) in currency exchange rate		
Pound Sterling	**389**	-
Euro	**565**	6,824
Kuwaiti Dinar	**25,779**	305
Japanese Yen	**3**	233
Other currencies	**19,208**	25,807

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:

	2015		*2014*	
	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	**± 35,566**	-	**± 16,491**	-
5% increase / (decrease) in Other than Qatar Exchange	**± 24,575**	± 634	**± 23,264**	± 281
	± 60,141	± 634	**± 39,755**	± 281

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.

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

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

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Operational risks (continued)
A number of techniques are applied to effectively manage the operational risk across the Group. These include:

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

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

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

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.

	2015 QAR’000	*2014 QAR’000*
Common Equity Tier 1 Capital	**8,327,067**	8,049,896
Additional Tier 1 Capital	**4,000,000**	2,000,000
Additional Tier 2 Capital	**278,118**	237,338
Total Eligible Capital	**12,605,185**	10,287,234

Risk weighted assets

	2015 Basel III Risk weighted amount QAR’000	*2014 Basel III Risk weighted amount QAR’000*
Total risk weighted assets for credit risk	**73,132,247**	62,402,588
Risk weighted assets for market risk	**2,414,429**	1,709,337
Risk weighted assets for operational risk	**4,605,490**	4,343,993
	80,152,166	68,455,918

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management (continued)

Risk weighted assets (continued)

	2015	*2014*
	QAR'000	*QAR'000*
Risk weighted assets	**80,152,166**	68,455,918
Total eligible capital	**12,605,185**	10,287,234
Risk weighted assets as a percentage of total eligible capital		
Capital adequacy ratio	**15.73%**	15.03%

The Bank has followed QCB Basel III capital adequacy ratio ("CAR") with effect from 1 January 2015 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 12.5%

5 USE OF ESTIMATES AND JUDGEMENTS

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.

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.

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.

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.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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 2015:

	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 2015*	**5,264,799**	**1,131,313**	**-**	**6,396,112**
Investment securities classified as held for trading	*31 Dec 2015*	**16,697**	**-**	**-**	**16,697**
Derivative instruments:					
Interest rate swaps	*31 Dec 2015*	**-**	**5,158**	**-**	**5,158**
Forward foreign exchange contracts	*31 Dec 2015*	**-**	**23,718**	**-**	**23,718**
		5,281,496	**1,160,189**	**-**	**6,441,685**
Assets for which fair values are disclosed (note 7)					
Cash and balances with central banks	*31 Dec 2015*	**-**	**-**	**3,562,821**	**3,562,821**
Due from banks	*31 Dec 2015*	**-**	**-**	**10,385,414**	**10,385,414**
Loans and advances to customers	*31 Dec 2015*	**-**	**-**	**55,615,185**	**55,615,185**
Held to maturity investment securities	*31 Dec 2015*	**4,120,943**	**1,729,028**	**-**	**5,849,971**
Other Assets	*31 Dec 2015*	**-**	**-**	**592,098**	**592,098**
Liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	*31 Dec 2015*	**-**	**15,635**	**-**	**15,635**
Forward foreign exchange contracts	*31 Dec 2015*	**-**	**4,431**	**-**	**4,431**
		-	**20,066**	**-**	**20,066**
Liabilities for which fair values are disclosed (note 7)					
Due to banks	*31 Dec 2015*	**-**	**-**	**8,776,130**	**8,776,130**
Customer deposits	*31 Dec 2015*	**-**	**-**	**52,766,613**	**52,766,613**
Debt securities	*31 Dec 2015*	**2,620,025**	**-**	**-**	**2,620,025**
Other borrowings	*31 Dec 2015*	**-**	**-**	**3,452,534**	**3,452,534**
Other liabilities	*31 Dec 2015*	**-**	**-**	**1,434,666**	**1,434,666**

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

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Fair value measurement (continued)
Fair value hierarchy for financial instruments measured at fair value as at 31 December 2014:

	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 2014*	4,089,030	1,141,749	-	5,230,779
Investment securities classified as held for trading	*31 Dec 2014*	36,541	-	-	36,541
Derivative instruments:					
Interest rate swaps	*31 Dec 2014*	-	11,977	-	11,977
Forward foreign exchange contracts	*31 Dec 2014*	-	26,152	-	26,152
		4,125,571	1,179,878	-	5,305,449
Assets for which fair values are disclosed (note 7)					
Cash and balances with central banks	*31 Dec 2014*	-	-	3,303,651	3,303,651
Due from banks	*31 Dec 2014*	-	-	12,246,782	12,246,782
Loans and advances to customers	*31 Dec 2014*	-	-	48,558,521	48,558,521
Held to maturity investment securities	*31 Dec 2014*	2,398,264	2,215,313	-	4,613,577
Other Assets	*31 Dec 2014*	-	-	623,016	623,016
Liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	*31 Dec 2014*	-	10,044	-	10,044
Forward foreign exchange contracts	*31 Dec 2014*	-	42,642	-	42,642
		-	52,686	-	52,686
Liabilities for which fair values are disclosed (note 7)					
Due to banks	*31 Dec 2014*	-	-	12,794,735	12,794,735
Customer deposits	*31 Dec 2014*	-	-	45,946,575	45,946,575
Debt securities	*31 Dec 2014*	2,646,854	-	-	2,646,854
Other borrowings	*31 Dec 2014*	-	-	727,681	727,681
Other liabilities	*31 Dec 2014*	-	-	1,273,911	1,273,911

During the reporting period 31 December 2014, there were no transfers between Level 1 and Level 3 fair value measurements.

All unquoted available for sale equity investments amounting to QAR 61.3 million (2014: QAR 61.1 million) are recorded at cost since the fair value cannot be reliably measured.

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

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

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

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

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.

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.

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.

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

6 OPERATING SEGMENTS

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

Conventional Banking

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

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

6 OPERATING SEGMENTS (CONTINUED)

Details of each segment as of and for the year ended 31 December 2015 are stated below:

	2015					
	Corporate Banking QAR'000	*Retail Banking QAR'000*	*Unallocated QAR'000*	*Total QAR'000*	*Insurance QAR'000*	*Total QAR'000*
Interest/similar income	2,414,442	427,733	-	2,842,175	-	**2,842,175**
Net income from insurance activities	-	-	-	-	26,923	**26,923**
Other income	481,325	174,407	73,428	729,160	7,895	**737,055**
Segmental revenue	2,895,767	602,140	73,428	3,571,335	34,818	**3,606,153**
Net impairment loss on loans and advances to customers	(230,641)	(62,528)		(293,169)	-	**(293,169)**
Impairment loss on investment securities	(107,682)	-	-	(107,682)	(1,970)	**(109,652)**
Segmental profit				**1,361,671**	**11,871**	**1,373,542**
Share of results of the associate						**168**
Net profit for the year						**1,373,710**
Other information						
Assets	70,096,449	7,916,107	5,023,461	83,036,017	264,188	83,300,205
Investments in an associate						8,908
Total						83,309,113
Liabilities	58,628,806	10,579,332	782,521	69,990,659	111,155	**70,101,814**
Contingent items	33,471,992	175,627	-	33,647,619	-	**33,647,619**

6 OPERATING SEGMENTS (CONTINUED)

	2014					
	Corporate Banking QAR'000	*Retail Banking QAR'000*	*Unallocated QAR'000*	*Total QAR'000*	*Insurance QAR'000*	*Total QAR'000*
Interest/similar income	2,110,953	396,282	-	2,507,235	-	2,507,235
Net income from insurance activities	-	-	-	-	21,551	21,551
Other income	648,986	152,340	85,611	886,937	9,856	896,793
Segmental revenue	2,759,939	548,622	85,611	3,394,172	31,407	3,425,579
Net impairment loss on loans and advances to customers	(371,782)	(67,367)	-	(439,149)	-	(439,149)
Impairment loss on investment securities	(30,174)	-	-	(30,174)	-	(30,174)
Segmental profit				1,348,399	10,217	1,358,616
Share of results of the associate						42
Net profit for the year						1,358,658
Other information						
Assets	62,782,728	7,284,329	5,159,854	75,226,911	281,407	75,508,318
Investments in an associate						9,244
Total						75,517,562
Liabilities	54,218,518	9,383,256	485,919	64,087,693	137,116	64,224,809
Contingent items	32,458,791	364,655	-	32,823,446	-	32,823,446

6 OPERATING SEGMENTS (CONTINUED)

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*
2015				
Net operating income	**2,507,704**	**293,025**	**10,854**	**2,811,583**
Net profit	**1,298,516**	**75,830**	**(636)**	**1,373,710**
Total assets	**73,692,350**	**9,292,462**	**324,301**	**83,309,113**
Total liabilities	**61,913,681**	**8,031,429**	**156,704**	**70,101,814**
2014				
Net operating income	2,622,523	233,053	4,050	2,859,626
Net profit	1,326,848	30,997	813	1,358,658
Total assets	67,548,017	7,881,693	87,852	75,517,562
Total liabilities	57,533,071	6,689,970	1,768	64,224,809

7 FINANCIAL ASSETS AND LIABILITIES

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 2015							
Cash and balances with central banks	-	-	3,562,821	-	-	3,562,821	3,562,821
Due from banks	-	-	10,385,414	-	-	10,385,414	10,385,414
Positive fair value of derivatives	28,876	-	-	-	-	28,876	28,876
Loans and advances to customers	-	-	55,615,185	-	-	55,615,185	55,615,185
Investment securities:							
Measured at fair value	16,697	-	-	6,457,373	-	6,474,070	6,474,070
Measured at amortised cost	-	5,724,162	-	-	-	5,724,162	5,849,971
Other assets	-	-	-	-	592,098	592,098	592,098
	45,573	5,724,162	69,563,420	6,457,373	592,098	82,382,626	82,508,435
Negative fair value of derivatives	20,066	-	-	-	-	20,066	20,066
Due to banks	-	-	-	-	8,776,130	8,776,130	8,776,130
Customer deposits	-	-	-	-	52,766,613	52,766,613	52,766,613
Debt securities	-	-	-	-	2,587,728	2,587,728	2,620,025
Other borrowings	-	-	-	-	3,452,534	3,452,534	3,452,534
Other liabilities	-	-	-	-	1,434,666	1,434,666	1,434,666
	20,066	-	-	-	69,017,671	69,037,737	69,070,034

7 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 2014							
Cash and balances with central banks	-	-	3,303,651	-	-	3,303,651	3,303,651
Due from banks	-	-	12,246,782	-	-	12,246,782	12,246,782
Positive fair value of derivatives	38,129	-	-	-	-	38,129	38,129
Loans and advances to customers	-	-	48,558,521	-	-	48,558,521	48,558,521
Investment securities:							
Measured at fair value	36,541	-	-	5,291,922	-	5,328,463	5,328,463
Measured at amortised cost	-	4,527,255	-	-	-	4,527,255	4,613,577
Other assets	-	-	-	-	623,016	623,016	623,016
	74,670	4,527,255	64,108,954	5,291,922	623,016	74,625,817	74,712,139
Negative fair value of derivatives	52,686	-	-	-	-	52,686	52,686
Due to banks	-	-	-	-	12,794,735	12,794,735	12,794,735
Customer deposits	-	-	-	-	45,946,575	45,946,575	45,946,575
Debt securities	-	-	-	-	2,582,478	2,582,478	2,646,854
Other borrowings	-	-	-	-	727,681	727,681	727,681
Other liabilities	-	-	-	-	1,273,911	1,273,911	1,273,911
	52,686	-	-	-	63,325,380	63,378,066	63,442,442

Investment securities – unquoted equity securities at cost

The above table includes to QAR 61.3 million (2014 : QAR 61.1 million) at 31 December 2015 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

	2015 ***QAR'000***	*2014* *QAR'000*
Cash	**476,160**	522,773
Cash reserve with QCB*	**2,042,869**	1,823,312
Cash reserve with other central banks*	**120,341**	138,399
Other balances with central banks	**923,451**	819,167
	3,562,821	3,303,651

*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

	2015 ***QAR'000***	*2014* *QAR'000*
Current accounts	**468,556**	1,219,227
Placements	**4,995,184**	5,775,869
Loans to banks	**4,921,674**	5,251,686
	10,385,414	12,246,782

10 LOANS AND ADVANCES TO CUSTOMERS

	2015 ***QAR'000***	*2014* *QAR'000*
Loans	**51,679,322**	43,594,456
Overdrafts	**4,517,287**	5,383,469
Bills discounted	**328,339**	268,333
Other loans*	**1,158,228**	1,129,784
(Note-i)	**57,683,176**	50,376,042
Less :		
Deferred profit	**(17,876)**	(42,136)
Specific impairment of loans and advances to customers	**(1,926,652)**	(1,642,728)
Collective impairment allowance	**(123,463)**	(132,657)
Net loans and advances to customers	**55,615,185**	48,558,521

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The aggregate amount of non-performing loans and advances to customers amounted QAR 1,881.2 million, which represents 3.26% of total loans and advances to customers (2014: QAR 1,559.9 million, 3.10% of total loans and advances to customers).

During the year, the Group has written-off fully provided non-performing loans amounting to QAR 111.2 million (2014: Nil) as per Qatar Central Bank circular no. 68/2011.

Specific impairment of loans and advances to customers includes QAR 368.7 million of interest in suspense (2014: QAR 290.5 million).

*This includes acceptances pertaining to trade finance amounting to QAR 716.8 million (2014: QAR 565.2 million).

Note-i:

	2015	*2014*
	QAR'000	*QAR'000*
Government and related agencies	**3,557,633**	5,010,198
Corporate	**43,225,569**	34,744,184
Retail	**10,899,974**	10,621,660
	57,683,176	50,376,042

By industry

At 31 December 2015	***Loans***	***Overdrafts***	***Bills discounted***	***Other Loans***	***Total***
	QAR'000	***QAR'000***	***QAR'000***	***QAR'000***	***QAR'000***
Government and related agencies	**2,597,853**	**943,855**	**-**	**15,925**	**3,557,633**
Non-banking financial institutions	**2,306,255**	**186,137**	**-**	**-**	**2,492,392**
Industry	**2,713,233**	**64,567**	**82,179**	**5,551**	**2,865,530**
Commercial	**7,769,002**	**846,409**	**109,388**	**645,325**	**9,370,124**
Services	**5,749,818**	**288,621**	**52,035**	**10,899**	**6,101,373**
Contracting	**8,525,823**	**1,237,616**	**49,726**	**241,193**	**10,054,358**
Real estate	**11,234,959**	**302,620**	**23,277**	**26,389**	**11,587,245**
Personal	**10,160,182**	**549,257**	**124**	**190,411**	**10,899,974**
Others	**622,197**	**98,205**	**11,610**	**22,535**	**754,547**
	51,679,322	**4,517,287**	**328,339**	**1,158,228**	**57,683,176**
Less: Deferred profit					**(17,876)**
Specific impairment of loans and advances to customers					**(1,926,652)**
Collective impairment allowance					**(123,463)**
					55,615,185

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

By industry (continued)

At 31 December 2014	*Loans QAR'000*	*Overdrafts QAR'000*	*Bills discounted QAR'000*	*Other Loans QAR'000*	*Total QAR'000*
Government and related agencies	2,809,656	2,171,724	-	28,818	5,010,198
Non-banking financial institutions	1,177,548	-	-	-	1,177,548
Industry	2,329,700	45,636	31,958	4,622	2,411,916
Commercial	7,439,046	788,316	108,094	489,219	8,824,675
Services	2,984,720	208,445	67,285	32,424	3,292,874
Contracting	6,900,630	1,077,334	44,129	373,835	8,395,928
Real estate	9,214,058	538,704	200	43,940	9,796,902
Personal	10,038,219	465,676	520	117,245	10,621,660
Others	700,879	87,634	16,147	39,681	844,341
	43,594,456	5,383,469	268,333	1,129,784	50,376,042
Less: Deferred profit					(42,136)
Specific impairment of loans and advances to customers					(1,642,728)
Collective impairment allowance					(132,657)
					48,558,521

Movement in impairment loss on loans and advances to customers

	2015 QAR'000	*2014 QAR'000*
Balance at 1 January	**1,775,385**	1,230,158
Foreign currency translation	**(2,476)**	(1,580)
Provisions made during the year	**539,228**	626,131
Recoveries during the year	**(132,046)**	(76,199)
Net allowance for impairment during the year*	**407,182**	549,932
Written off/transfers during the year	**(129,976)**	(3,125)
Balance at 31 December	**2,050,115**	1,775,385

*The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations amounting to QAR 113.9 million during the year (2014: QAR 110.8 million).

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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	**1,274,387**	**53,622**	**365,996**	**81,380**	**1,775,385**
Foreign currency translation	**(1,829)**	**-**	**(647)**	**-**	**(2,476)**
Provisions made during the year	**410,214**	**20,482**	**102,407**	**6,125**	**539,228**
Recoveries during the year	**(99,367)**	**(1,422)**	**(29,276)**	**(1,981)**	**(132,046)**
Written off/transfers during the year	**(49,980)**	**(3,937)**	**(76,059)**	**-**	**(129,976)**
Balance at 31 December 2015	**1,533,425**	**68,745**	**362,421**	**85,524**	**2,050,115**

	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	887,159	22,369	266,714	53,916	1,230,158
Foreign currency translation	(585)	-	(995)	-	(1,580)
Provisions made during the year	409,502	34,871	128,438	53,320	626,131
Recoveries during the year	(19,864)	(3,515)	(34,122)	(18,698)	(76,199)
Written off/transfers during the year	(1,825)	(103)	5,961	(7,158)	(3,125)
Balance at 31 December 2014	1,274,387	53,622	365,996	81,380	1,775,385

11 INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	2015 QAR'000	*2014 QAR'000*
Available-for-sale	**6,656,781**	5,400,523
Investment securities classified as held for trading	**16,697**	36,541
Held-to-maturity*	**5,738,356**	4,541,449
	12,411,834	9,978,513
Impairment losses	**(213,602)**	(122,795)
Total	**12,198,232**	9,855,718

*The Group has pledged State of Qatar Bonds amounting to QAR 2,829 million (2014: QAR 136 million) against repurchase agreements.

11 INVESTMENT SECURITIES (CONTINUED)

Available-for-sale

	2015		*2014*	
	Quoted QAR'000	***Unquoted QAR'000***	*Quoted QAR'000*	*Unquoted QAR'000*
Equities	**1,349,144**	**70,166**	819,520	70,048
State of Qatar debt securities	**2,119,273**	**1,129,283**	1,622,610	1,131,616
Other debt securities	**1,862,680**	**2,030**	1,631,633	10,133
Mutual funds	**124,205**	**-**	114,963	-
Less: Impairment losses	**(190,503)**	**(8,905)**	(99,696)	(8,905)
Total	**5,264,799**	**1,192,574**	4,089,030	1,202,892

Fixed rate securities and floating rate securities amounted to QAR 5,100 million and QAR 10 million respectively as of 31 December 2015 (2014: QAR 4,219 million and QAR 173 million respectively).

Investment securities classified as held for trading
The investment securities classified as held for trading comprise of quoted bonds amounted to QAR 5.3 million and quoted equities amounted to QAR 11.4 million (2014: QAR 31.3 million and QAR 5.2 million respectively).

Held-to-maturity

	2015		*2014*	
	Quoted QAR'000	***Unquoted QAR'000***	*Quoted QAR'000*	*Unquoted QAR'000*
-By issuer				
State of Qatar debt securities	**2,943,952**	**1,710,820**	1,687,635	1,744,891
Other debt securities	**1,065,376**	**18,208**	572,508	536,415
Less: Impairment losses	**(14,194)**	**-**	(14,194)	-
Total	**3,995,134**	**1,729,028**	2,245,949	2,281,306
-By interest rate				
Fixed rate securities	**3,970,364**	**1,729,028**	2,217,278	2,281,306
Floating rate securities	**38,964**	**-**	42,865	-
Less: Impairment losses	**(14,194)**	**-**	(14,194)	-
Total	**3,995,134**	**1,729,028**	2,245,949	2,281,306

The fair value of held-to-maturity investments amounted to QAR 5,850 million at 31 December 2015 (2014: QAR 4,614 million).

Movement in impairment losses on investment securities

	2015 QAR'000	*2014 QAR'000*
Balance at 1 January	**122,795**	177,545
Provision for impairment loss during the year	**109,652**	30,174
Transferred to consolidated income statement on disposal	**(18,845)**	(84,924)
Balance at 31 December	**213,602**	122,795

12 INVESTMENT IN AN ASSOCIATE

	2015 ***QAR'000***	*2014* *QAR'000*
Balance at 1 January	**9,244**	9,382
Foreign currency translation	**(439)**	(180)
Share of results	**168**	42
Cash dividend	**(65)**	-
Balance at 31 December	**8,908**	9,244

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	***2015*** ***QAR'000***	*2014* *QAR'000*
Total assets	**31,903**	38,356
Total liabilities	**16,690**	17,355
Total revenue	**9,038**	9,969
Net profit	**382**	95
Share of net profit	**168**	42

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 2015					
Cost:					
Balance at 1 January	**768,420**	**146,586**	**417,237**	**12,536**	**1,344,779**
Additions/ transfers	**61,672**	**9,856**	**35,596**	**794**	**107,918**
Disposals	**(8,992)**	**(13)**	**(3,276)**	**(1,399)**	**(13,680)**
	821,100	**156,429**	**449,557**	**11,931**	**1,439,017**
Depreciation:					
Balance at 1 January	**162,743**	**109,593**	**300,375**	**11,057**	**583,768**
Depreciation	**32,927**	**11,976**	**36,239**	**658**	**81,800**
Disposals	**(8,112)**	**(8)**	**(3,058)**	**(1,160)**	**(12,338)**
	187,558	**121,561**	**333,556**	**10,555**	**653,230**
Net Book Value	**633,542**	**34,868**	**116,001**	**1,376**	**785,787**

	Land and buildings QAR'000	*Leasehold improvements QAR'000*	*Furniture and equipment QAR'000*	*Vehicles QAR'000*	*Total QAR'000*
At 31 December 2014					
Cost:					
Balance at 1 January	768,420	130,306	349,036	12,740	1,260,502
Additions/ transfers	-	16,598	68,221	341	85,160
Disposals	-	(318)	(20)	(545)	(883)
	768,420	146,586	417,237	12,536	1,344,779
Depreciation:					
Balance at 1 January	130,947	97,305	261,968	10,811	501,031
Depreciation	31,796	12,606	38,407	766	83,575
Disposals	-	(318)	-	(520)	(838)
	162,743	109,593	300,375	11,057	583,768
Net Book Value	605,677	36,993	116,862	1,479	761,011

14 OTHER ASSETS

	2015 QAR'000	2014 QAR'000
Interest receivable	**185,125**	136,611
Prepaid expenses	**109,306**	99,819
Repossessed collaterals*	**-**	31,415
Positive fair value of derivatives (Note 34)	**28,876**	38,129
Deferred tax asset	**51,521**	30,150
Sundry debtors	**22,023**	1,266
Others	**355,915**	445,245
	752,766	782,635

*This represents the value of the properties acquired in settlement of debts which are stated at their acquisition value.

15 DUE TO BANKS

	2015 QAR'000	2014 QAR'000
Balances due to central banks	**375,141**	196,912
Current accounts	**179,272**	582,740
Certificate of deposits	**-**	400,000
Short-term loan from banks	**5,828,771**	11,508,709
Repo borrowings	**2,392,946**	106,374
	8,776,130	12,794,735

16 CUSTOMER DEPOSITS

By type

	2015 QAR'000	2014 QAR'000
Current and call deposits	**10,885,356**	12,047,947
Saving deposits	**2,502,901**	2,330,511
Time deposits	**39,378,356**	31,568,117
	52,766,613	45,946,575

By sector

	2015 QAR'000	2014 QAR'000
Government and semi government agencies	**21,696,932**	16,970,410
Individuals	**10,429,439**	9,383,256
Corporates	**17,571,977**	17,356,088
Non-banking financial institutions	**3,068,265**	2,236,821
	52,766,613	45,946,575

17 DEBT SECURITIES

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

	2015 QAR'000	*2014 QAR'000*
Subordinated debt notes (a)	**772,736**	772,092
Senior guaranteed notes (b)	**1,814,992**	1,810,386
	2,587,728	2,582,478

Note (a)
On 12 December 2006, the Group issued US$ 340 million subordinated floating rate step up notes at a nominal value of US$ 100,000 per note. The notes mature in 2016 and carry interest at three months US$ LIBOR plus 1.32% per annum payable.

Note (b)
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

	2015 QAR'000	*2014 QAR'000*
Term loan facilities	**3,452,534**	727,681

The table below shows the maturity profile of other borrowings.

	2015 QAR'000	*2014 QAR'000*
Up to 1 year	**276,378**	363,531
Between 1 and 3 years	**3,176,156**	364,150
	3,452,534	727,681

19 OTHER LIABILITIES

	2015 QAR'000	*2014 QAR'000*
Interest payable	**214,633**	130,009
Accrued expense payable	**84,505**	95,161
Provision for end of service benefits (Note-i)	**216,122**	193,505
Staff provident fund	**99,524**	89,324
Tax payable	**25,884**	22,866
Negative fair value of derivatives (Note 34)	**20,066**	52,686
Unearned income	**70,108**	59,187
Cash margins	**297,284**	275,061
Dividend payable	**39,704**	41,207
Unclaimed balances	**9,755**	10,352
Proposed transfer to social and sport fund	**34,343**	33,966
Others*	**1,406,881**	1,170,016
Total	**2,518,809**	2,173,340

*This includes acceptances pertaining to trade finance amounting to QAR 716.8 million (2014: QAR 565.2 million).

19 OTHER LIABILITIES (CONTINUED)

Note-i
Provision for end of service benefits

	2015 QAR'000	*2014 QAR'000*
Balance at 1 January	**193,505**	171,864
Provision for the year	**39,467**	38,292
Provisions used during the year	**(16,850)**	(16,651)
Balance at 31 December	**216,122**	193,505

20 EQUITY

a. Share capital

	Ordinary shares	
	2015	*2014*
In thousands of shares		
On issue at the beginning of the reporting period	**258,372**	258,372
On issue at 31 December	**258,372**	258,372

At 31 December 2015, the authorised share capital comprised 258,372 thousands ordinary shares (2014:258,372 thousands). These instruments have a par value of QAR 10. All issued shares are fully paid.

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.

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.

For the year ended 31 December 2015 the Group has transferred QAR 152 million (2014: QAR 179 million) into the risk reserve which is 2.5% of the net loans and advances to customers except for facilities granted to Government.

20 EQUITY (CONTINUED)

d. Fair value reserve

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

	2015 ***QAR'000***	*2014* *QAR'000*
Balance at 1 January	**(57,574)**	(43,355)
Net unrealized (loss) gain on available-for-sale investment securities	**(296,132)**	65,816
Reclassified to consolidated statement of Income	**84,030**	(80,035)
Net change in fair value of available – for – sale investment securities	**(212,102)**	(14,219)
Balance at 31 December	**(269,676)**	(57,574)

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 775.1 million - QAR 3.00 per share (2014: 40% of paid up share capital amounting to QAR 1,033.5 million - QAR 4.00 per share) which is subject to approval at the Annual General Meeting of the shareholders.

g. Instrument eligible as additional capital

	2015 ***QAR'000***	*2014* *QAR'000*
Issued on 31 December 2013	**2,000,000**	2,000,000
Issued on 30 June 2015	**2,000,000**	-
	4,000,000	2,000,000

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

	2015 ***QAR'000***	*2014* *QAR'000*
Balance with central banks	**6,701**	10,551
Due from banks and non-banking financial institutions	**117,930**	121,637
Debt securities	**383,163**	365,499
Loans and advances to customers	**2,334,381**	2,009,548
	2,842,175	2,507,235

22 INTEREST EXPENSE

	2015	*2014*
	QAR'000	*QAR'000*
Due to banks	**110,545**	74,539
Customer deposits	**607,625**	414,787
Debt securities	**76,400**	76,627
	794,570	565,953

23 FEE AND COMMISSION INCOME

	2015	*2014*
	QAR'000	*QAR'000*
Credit related fees	**139,749**	157,239
Brokerage fees	**586**	668
Bank services fee	**212,134**	175,732
Commission on unfunded facilities	**136,420**	172,802
Others	**14,207**	15,823
	503,096	522,264

24 FEE AND COMMISSION EXPENSE

	2015	*2014*
	QAR'000	*QAR'000*
Bank fees	**1,314**	1,123
Others	**5,237**	5,099
	6,551	6,222

25 FOREIGN EXCHANGE GAIN

	2015	*2014*
	QAR'000	*QAR'000*
Dealing in foreign currencies	**21,439**	19,300
Revaluation of assets and liabilities	**76,102**	77,845
	97,541	97,145

26 INCOME FROM INVESTMENT SECURITIES

	2015	*2014*
	QAR'000	*QAR'000*
Net gains on investment securities	**30,673**	185,349
Dividend income	**38,868**	36,224
	69,541	221,573

27 OTHER OPERATING INCOME

	2015 QAR'000	*2014 QAR'000*
Recoveries from loans and advances to customers previously written-off	**35,196**	27,407
Rental income	**12,903**	13,300
Others	**25,329**	21,326
	73,428	62,033

28 STAFF COSTS

	2015 QAR'000	*2014 QAR'000*
Staff cost	**465,692**	470,894
Staff pension fund costs	**11,369**	11,183
End of service benefits	**39,467**	38,292
Training	**3,996**	3,120
	520,524	523,489

29 OTHER EXPENSES

	2015 QAR'000	*2014 QAR'000*
Advertising	**36,355**	34,528
Professional fees	**28,391**	27,103
Communication and insurance	**49,038**	46,636
Board of Directors' remuneration	**15,339**	17,109
Occupancy and maintenance	**89,695**	79,956
Computer and IT costs	**29,069**	29,552
Printing and stationary	**14,695**	14,457
Travel and entertainment costs	**8,269**	7,466
Others	**157,476**	156,236
	428,327	413,043

30 TAX EXPENSE

	2015 QAR'000	*2014 QAR'000*
Current tax expense		
Current year	**25,701**	24,367
Adjustments for prior years	**100**	(455)
	25,801	23,912
Deferred tax expense		
Temporary differences	**(21,232)**	(12,332)
	(21,232)	(12,332)
Income tax expense reported in the statement of income	**4,569**	11,580

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:

	2015 QAR'000	*2014 QAR'000*
Profit for the year attributable to the equity holders of the Group	**1,373,710**	1,358,658
Deduct : Interest on Tier 1 capital notes	**(170,000)**	(120,000)
Net profit attributable to equity holders of the Group	**1,203,710**	1,238,658
Weighted average number of outstanding shares (in thousands)	**258,372**	258,372
Earnings per share (QAR)	**4.66**	4.79

The weighted average number of shares has been calculated as follows:

	2015	*2014*
In thousands of shares		
Weighted average number of shares at 1 January	**258,372**	258,372
Weighted average number of shares at 31 December	**258,372**	258,372

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2015 QAR'000	*2014 QAR'000*
Contingent liabilities		
Unused facilities	**7,253,819**	9,533,640
Guarantees	**23,335,322**	20,231,382
Letters of credit	**3,058,478**	3,058,424
Others	**579,598**	491,547
Total	**34,227,217**	33,314,993
Other commitments		
Forward foreign exchange contracts	**11,017,638**	5,527,793
Interest rate swaps	**949,275**	746,508
Total	**11,966,913**	6,274,301

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.

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS (CONTINUED)

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

	2015 QAR'000	*2014 QAR'000*
Less than one year	**22,198**	15,651
Between one and five years	**20,944**	18,869
More than five years	**3,820**	5,216
	46,962	39,736

33 CASH AND CASH EQUIVALENTS

	2015 QAR'000	*2014 QAR'000*
Cash and balances with central banks*	**1,399,611**	1,341,940
Due from banks and other financial institutions maturing within 3 months	**6,157,790**	8,354,243
	7,557,401	9,696,183

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

34 DERIVATIVES

	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***
At 31 December 2015:							
Derivatives held for trading:							
Forward foreign exchange contracts	**23,718**	**4,431**	**11,017,638**	**5,661,317**	**3,030,820**	**2,325,501**	**-**
Derivatives held for fair value hedges:							
Interest rate swaps	**5,158**	**15,635**	**949,275**	**-**	**-**	**232,692**	**716,583**

	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*
At 31 December 2014:							
Derivatives held for trading:							
Forward foreign exchange contracts	26,152	42,642	5,527,793	4,854,157	673,636	-	-
Derivatives held for fair value hedges:							
Interest rate swaps	11,977	10,044	746,508	-	29,132	183,532	533,844

35 RELATED PARTIES

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

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

	2015		*2014*	
	Board of directors QAR'000	***Others QAR'000***	*Board of directors QAR'000*	*Others QAR'000*
Assets:				
Loans and advances to customers	**1,280,508**	**-**	1,033,716	-
Liabilities:				
Customer deposits	**404,306**	**4,723**	428,893	1,033
Unfunded items:				
Contingent liabilities and other commitments	**931,377**	**-**	998,929	-
Other assets	**8,305**	**-**	3,650	-
Income statement items:				
Interest , commission and other income	**35,022**	**-**	25,658	-
Interest, commission and other expense	**6,698**	**270**	10,027	234

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

Key management personnel compensation for the year comprised:

	2015 QAR'000	*2014 QAR'000*
Salaries and other benefits	**61,394**	58,742
End of service indemnity benefits and provident fund	**7,685**	7,403
	69,079	66,145

36 BUSINESS COMBINATION

On 1 April 2015, the Group acquired the business of HSBC Bank Oman S.A.O.G.'s Mumbai and Kochi branches which specialise in corporate and retail Banking. The acquisition has been accounted for using the acquisition method.

The consolidated financial statements include the results of these branches for the nine month period from the acquisition date. The fair values of the identifiable assets and liabilities of HSBC Bank Oman S.A.O.G.'s Mumbai and Kochi branches as at the date of acquisition were:

	Fair value recognised on acquisition QAR'000
Assets	
Property, furniture and equipment	**30,649**
Cash and balances with central banks	**5,026**
Due from banks	**86,956**
Loans and advances to customers	**425**
Investment securities	**17,919**
Other assets	**7,140**
	148,115
Liabilities	
Customer deposits	**71,075**
Other liabilities	**2,086**
	73,161
Total identifiable net assets at fair value	**74,954**
Gain on bargain purchase arising on acquisition	**(388)**
Purchase consideration transferred	**74,566**
Analysis of cash flows on acquisition:	
Net cash acquired with the branches	**91,982**
Cash paid	**(74,566)**
Net cash flows on acquisition (included in cash flows from investing activities)	**17,416**

37 COMPARATIVES

Certain comparative amounts presented for 2014 have been reclassified where necessary to comply with the 2015 amounts in order to conform with the current year's financial statement. However, such reclassifications did not have any effect on the consolidated profit, other comprehensive income or the total consolidated equity for the comparative year.

The table below details the affect of the reclassification on the statement of financial position:

	As previously reported *QAR'000*	***Effect of reclassification*** *QAR'000*	***After reclassification*** *QAR'000*
Cash and balances with central banks	3,706,541	(402,890)	**3,303,651**
Investment securities	9,452,828	402,890	**9,855,718**

38 FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	***2015*** ***QAR'000***	*2014* *QAR'000*
ASSETS		
Cash and balances with central banks	**3,562,821**	3,303,651
Due from banks	**10,330,715**	12,152,721
Loans and advances to customers	**55,615,185**	48,558,521
Investment securities	**12,198,968**	9,864,806
Investment in an associate	**8,908**	9,244
Property, furniture and equipment	**785,461**	760,532
Other assets	**692,672**	692,858
TOTAL ASSETS	**83,194,730**	75,342,333
LIABILITIES		
Due to banks	**8,776,130**	12,794,735
Customer deposits	**52,803,580**	45,952,676
Debt securities	**2,587,728**	2,582,478
Other borrowings	**3,452,534**	727,681
Other liabilities	**2,420,492**	2,036,301
TOTAL LIABILITIES	**70,040,464**	64,093,871
EQUITY		
Share capital	**2,583,723**	2,583,723
Legal reserve	**4,305,737**	4,304,339
Risk reserve	**1,292,000**	1,140,000
Fair value reserves	**(266,667)**	(57,695)
Foreign currency translation reserve	**(19,825)**	(10,595)
Proposed dividend	**775,117**	1,033,489
Retained earnings	**484,181**	255,201
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**9,154,266**	9,248,462
Instrument eligible as additional capital	**4,000,000**	2,000,000
TOTAL EQUITY	**13,154,266**	11,248,462
TOTAL LIABILITIES AND EQUITY	**83,194,730**	75,342,333

38 FINANCIAL STATEMENTS OF THE PARENT BANK (CONTINUED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

Income Statement – Parent Bank (continued)

For the year ended 31 December	***2015*** ***QAR'000***	*2014* *QAR'000*
Interest income	**2,842,175**	2,507,235
Interest expense	**(795,248)**	(566,113)
Net interest income	**2,046,927**	1,941,122
Fee and commission income	**503,096**	522,264
Fee and commission expense	**(6,551)**	(6,222)
Net fee and commission income	**496,545**	516,042
Foreign exchange gain	**97,541**	97,145
Income from investment securities	**68,432**	218,415
Other operating income	**70,787**	59,086
	236,760	374,646
Net operating income	**2,780,232**	2,831,810
Staff costs	**(509,044)**	(511,973)
Depreciation and amortisation	**(81,602)**	(83,363)
Impairment loss on investment securities and due from banks	**(107,682)**	(30,174)
Net impairment loss on loans and advances to customers	**(293,169)**	(439,149)
Other expenses	**(423,757)**	(408,254)
	(1,415,254)	(1,472,913)
Profit for the year before tax	**1,364,978**	1,358,897
Tax expense	**(3,307)**	(10,498)
Profit for the year	**1,361,671**	1,348,399