ANNUAL REPORT 2015

مصرف الريان

MASRAF AL RAYAN

Honor is the reward
for what we give,
not what we receive.

Contents

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

His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Father Emir

Message from the Chairman & Managing Director

Dear Distinguished Shareholders,

Assalamu AlIukum Wa Rahmato ALLAH.

On behalf of the members of the Board of Directors, I would like to welcome you and present the report for the year ended on 31st December, 2015.

During the last 10 years, and throughout three eras of former panels, your Board of Directors continued to capitalize in its well rooted values and established traditions to serve, protect and grow the assets and investments of our customers and shareholders and to assume responsibility for the risks we face, while our principles of dedication and commitment continued towards more progress and delivery of distinct Shari'a compliant banking products and services.

2015 was indeed a difficult year; however, we managed to maintain our momentum to stay on the same pathway which ultimately led Moody's Investors Service, the renowned credit rating international agency, to affirm Masraf Al Rayan at "A2/Prime-1" with Outlook «positive».

The 2015 financial results are good, with QAR 2,073 million in net profit, a 3.6% growth compared to 2014, and a total assets reaching QAR 83,026 million, a 3.7% growth compared to 2014. Financing activities increased to QAR 62,261 million, a growth of 7.5%. Investments also increased from QAR 14,804 million to QAR 15,094 million. Customer deposits declined by 11.1% to QAR 55,623million, compared to the QAR 62,571 in 2014, and shareholders' equity, before distribution, reached QAR 12,044 million with a growth of 6.1% from 2014.

"THE NOTABLE EFFORT EXERTED IN MANAGING THE QUALITY OF OUR ASSETS IN ADDITION TO THE PRUDENT CREDIT RISK MANAGEMENT POLICIES AND PROCEDURES TOGETHER HAVE ENABLED MASRAF AL RAYAN TO CONTINUE REGISTERING A NON-PERFORMING LOANS (NPL) RATIO OF 0.09% REGARDED TO BE ONE OF THE LOWEST IN THE BANKING INDUSTRY GLOBALLY."

In terms of financial indicators, Masraf Al Rayan maintained a high return on assets ratio at 2.5% and return on Shareholders' Equity reached, before distribution, 17.2%. Earnings per share reached QAR 2.764 and the book value per share reached QAR 16.06 (before distribution), compared to QAR 15.14 in 2014. Capital adequacy ratio reached 18.54% based on Basel-III standards, and operational efficiency ratio (cost - income ratio) at 22.1% continues to be one of the best in the region.

The notable effort exerted in managing the quality of our assets in addition to the prudent credit risk management policies and procedures together have enabled Masraf Al Rayan to continue registering a Non-performing loans (NPL) ratio of 0.09% regarded to be one of the lowest in the banking industry globally.

As a way of strengthening our financial standing, we decided to transfer 20% of the 2015 net profit to the legal reserves instead of 10% as specified in Masraf Al Rayan's Articles of Associations and the new companies law No-(11)of 2015.

At the meeting held on January 18th, 2016, your Board of Directors recommended the dividend distribution of QAR 1.75 per share; it represents 17.5% of the paid-up capital.

Masraf Al Rayan continued to exert the necessary effort to expand geographically, exploring opportunities in Asia and in Africa, some turned to be inadequate in terms of yielding the desirable results and appropriate value for Masraf Al Rayan's shareholders, while continue to examine other prospects, which we will be announced when we reach a positive indication of their relevance, value and manageability. I would like to highlight to all shareholders that "Al Rayan Bank-UK registered, by the end of 2015, a net profit of £10 million after a decade of continuous losses.

Internally, Masraf Al Rayan continued throughout 2015 to deliver new service solutions to enhance customer experience by offering quality and flexibility in line with the best international banking practices, finishing the year strongly as the winner of the 2015 World Islamic Banking Conference Performance Awards, held in Kingdom of Bahrain, across all 3 categories, country, regional and global.

With respect to human resources and training, Masraf Al Rayan continued to pay the utmost attention to develop all employees and specially Qataris by undergoing training programs through which more than 11,122 training hours were completed, an increase of 42% from 2014.

At the societal responsibility level towards humanity and the environment, Masraf Al Rayan was keen to provide support to individuals and groups involved in building better communities and preserving of the environment and promoting healthy practices through a wide range of sporting, social and humanitarian activities.

Before concluding my report, I am honored on behalf of the Board of Directors to express our cordial acknowledgment and gratitude to His Highness Sheikh Tamim Bin Hamad Al Thani, the Emir of Qatar for his judicious vision and directions to guide the success of the economy of the State of Qatar. I would also like to thank His Excellency Sheikh Abdullah Bin Saud Al Thani, the Governor of Qatar Central Bank and His Excellency Sheikh Fahad Bin Faisal Al-Thani, Deputy Governor of Qatar Central Bank for their support of the banking sector and for their role in maintaining and safeguarding the financial stability of the State of Qatar.

My thanks and appreciation also go to Masraf Al Rayan's executive management and staff, who presented an outstanding collective effort during 2015 to achieve these results, and are bearing the responsibility to continue to achieve better results in the years to come.

In conclusion, I hope that we were successful in carrying out our responsibilities towards both shareholders and customers.

Assalamu Aliukum Wa Rahmato ALLAH.

Dr. Hussain Ali Al Abdulla
Chairman & Managing Director

Message from the Group Chief Executive Officer

Masraf Al Rayan executive management team, all through 2015, supported by the Board of Directors, has adopted series of intact business strategies executed via calculated decision making processes to place Masraf Al Rayan in higher ranks at the local and regional levels, not only by attaining the best financial results but also by maintaining and managing the bank reputable brand and business face.

The many challenges confronted the financial industry over the last years, remained fundamentally the same in 2015, ranging from the international financial markets bouncing around at random year after year, to adapting to new technological advances to meet customer growing needs, however amidst all that Masraf Al Ryan sustained a strong level of performance to end 2015 as the big winner of the "World Islamic Banking Conference Performance Awards" across all 3 categories, country, regional and global. Moody's Investors Service, in August 2015, affirmed Masraf Al Rayan A2/Prime-1 issuer ratings and baa3 baseline credit assessment (BCA) and adjusted BCA. At the same time, the agency changed the outlook on the bank's long term issuer ratings to positive from stable. This confirmation reflects MAR's continued strong core financial fundamentals with consistently strong asset quality performance, strong and stable profitability and solid capital safeguards.

During 2015, as in the past, Masraf Al Rayan's executive management team depended on a progressive market analysis and macro positioning techniques to understand customer's behavior, outlook and requirements. The executive management's strategic thinking placed tremendous emphasis on potential planning and day-to-day customer innovative reward offerings through a system which let targeted customers enjoy quality benefits and redeem reward points easily and in different ways.

THE FINANCIAL INDICATORS REFLECTED MASRAF AL RAYAN'S PERFORMANCE DURING 2015, AS THE BANK CONTINUED TO MAINTAIN A LEADING POSITION ON THE RETURN ON ASSETS. IT CONTINUES TO BE ONE OF THE HIGHEST IN THE MARKET AT 2.5%.

The announced net profit of QAR 2,073 million during 2015 points to the success of the plans and strategies put in place in 2014, where the total assets increased to QAR 83,026 million compared to QAR 80,094 million in 2014, achieving a growth of 3.7%. Financing activities increased to QAR 62,261 million, compared to QAR 57,907 million in 2014, with growth of 7.5%.

The Investment activities during 2015 registered an increase of 2.0% from QAR 14,804 to QAR 15,094 million. Shareholders Equity, before distribution, reached QAR 12,044 million compared to QAR 11,353 in 2014, with a growth of 6.1%.

Al Rayan Bank UK, Plc, stands out as another witness to Masraf Al Rayan's prudent investment strategy to end 2015 with a net profit of £10 million, equivalent to QAR 57 million, a value added to our shareholders.

The financial indicators, also, reflected Masraf Al Rayan's performance during 2015, as the bank continued to maintain a leading position on the return on assets. It continues to be one of the highest in the market at 2.5%. Return on shareholders' Equity reached 17.2%, whereas earnings per share reached QAR 2.764 compared to QAR 2.670 the same period last year. Book value per share reached QAR 16.06, compared to QAR 15.14 in 2014. Capital adequacy ratio reached 18.54% using Basel-III standards compared to 18.36% on December 31 2014 based on Basel-II standards and operational efficiency ratio cost - income ratio is at 22.1% continues to be one of the best in the region. Non-performing loans (NPL) ratio of 0.09% also continues to be one of the lowest in the banking industry, reflecting yet again a very strong and prudent credit risk management policies and procedures.

Executive management at Masraf Al Rayan continued throughout 2015 to pay the utmost attention to develop all employees and specially Qataris through undergoing training programs, as a result, more than 11,122 training hours were completed, an increase of 42% from 2014.

Based on its profound commitment towards the importance of Masraf Al Rayan's corporate social responsibility role, the executive management continued to provide programs which support individuals and groups that have been working to build and maintain cohesive communities through the participation in various activities designed to contribute to the wellbeing of the society as a whole. During 2015 Masraf Al Rayan has encouraged different sporting events as well as contributed generously in charitable activities that benefited many causes in collaboration with the Qatari Red Crescent and the General Authority for Minors Affairs. Masraf Al Rayan has also worked with HMC in organizing its 2015 blood donation campaign, in addition to providing assistance to many local and international educational forums to contribute to the development of Qatar future generations, such as sponsoring of awareness course developed and provided to schools by the Ministry of Labor and Social Affairs, the sponsorship through QCB to supporting independent studies and research by students, the sponsorship of the conference of information security in the financial sector and the active participation in conferences on trade, protection of economic systems and currencies.

In conclusion, I am pleased on behalf of Masraf Al Rayan's executive management and to extend thanks and appreciation to the members of the Board of Directors for their confidence and guidance as well to all the staff who have continued to work hard to preserve the status and gains of Masraf Al Rayan and meet the expectations of shareholders and other stakeholders year after year.

Adel Mustafawi
Group Chief Executive Officer

Corporate Governance

MASRAF AL RAYAN CONTINUES TO COMPLY WITH THE GOVERNANCE GUIDELINES, AS PER THE 2ND AND 3RD ARTICLES OF THE CORPORATE GOVERNANCE GUIDELINES FOR LISTED COMPANIES REGULATED BY THE 'QATAR FINANCIAL MARKETS AUTHORITY', AS WELL AS COMPLY WITH THE 'QATAR CENTRAL BANK' 'CORPORATE GOVERNANCE GUIDELINES' FOR BANKS AND FINANCIAL INSTITUTION; ALL THE WHILE LOOKING FORWARD TO ACHIEVING EVEN MORE TRANSPARENCY AND A HIGHER LEVEL OF CLIENT AND SHAREHOLDER TRUST.

LEADERSHIP IN MASRAF AL RAYAN

BOARD OF DIRECTORS

Dr. Hussain Ali Al Abdulla
Chairman & Managing Director

Dr. Thani Abdulrahman Al Kuwari
Vice Chairman

Dr. Menahi Khalid M. A. Al Hajri
Board Member

Mr. Turki Mohammed Al Khater
Board Member

Sheikh Faisal Bin Saud Al-Thani
Board Member

Sheikh Nasser Bin Hamad Bin Nasser Al Thani
Board Member

Mr. Abdulla Ahmed Al Maleki Al Jahni
Board Member

Mr. Khalaf Sultan Al Dhaheri
Board Member

Mr. Nasser Mohamed Al-Abdulla
Board Member

SENIOR MANAGEMENT

Adel Mustafawi
Group Chief Executive Officer

Ahmed Sheikh
Chief Operating Officer

Mohamed Mursal
General Manager, Financial Controls

Khalid Fakhroo
General Manager, Engineering & Real Estate

Mohamed Jama
General Manager, Chief Risk Officer

Hasan Al-Hammadi
Head of Treasury

Nasser Raeissi
AGM, HR & Administration

Howaida Abdulla Al-Mohannadi
AGM, Operations

Mohammed Ismail Al Emadi
AGM, Head of Wholesale Banking

Mahboob Haider
AGM, Head of SME

Chidambaram Pichappan
AGM, Head of Information Technology

Abdel Monem El Hassan
General Legal Counsel, Head of Legal

Mohamed Hussein
Executive Manager, Head of Operational Risk & Information Security

Dareer Mohamed
Head of Compliance

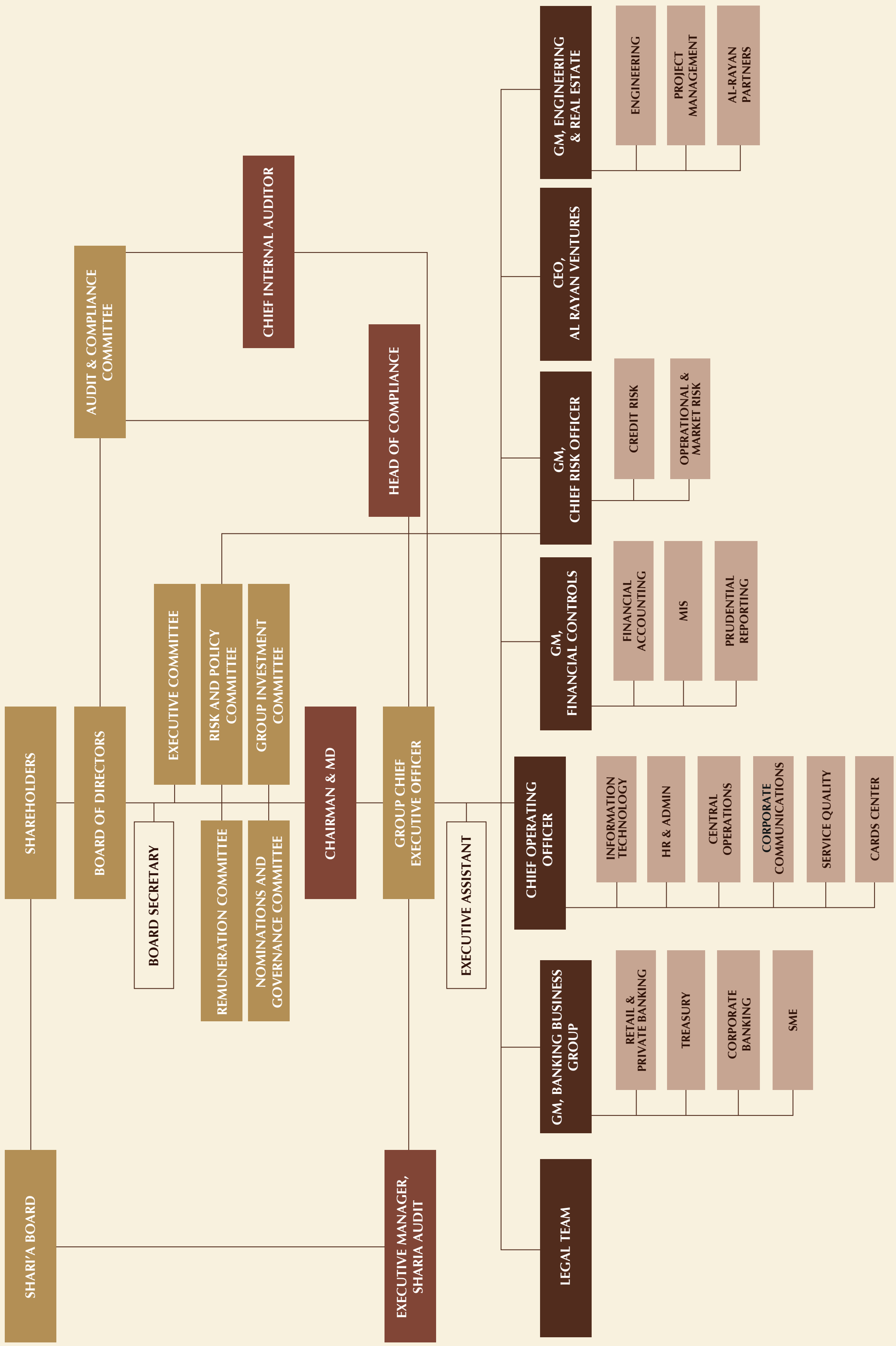
SHARI'A SUPERVISORY BOARD

Sheikh Dr. Waleed Bin Hadi
Chairman

Sheikh Dr. Abdull Sattar Abu Ghuddah
Member

Sheikh Dr. Mohamed Ahmeen
Member

ORGANIZATIONAL CHART



Board of Directors' Corporate Governance Report 2015

Introduction

Year after year, Corporate Governance continues to become more and more central in companies with the prominence it has captured in the mindsets of both Shareholders and Investors. It has been the subject of continual follow up from regulators; nevertheless, there remain some difficulties associated with the number of regulators each with their own sets of corporate governance requirements. After the Qatar Financial Markets issued its Amended Corporate Governance Code in the Main market on 09/03/2014, the QCB has issued on 26/7/2015 its latest instructions to replace its previous versions of Corporate Governance in Banks.

Top 10 Shareholders

The largest 10 Shareholders of Masraf Al Rayan as of 31/12/2015

No.	Name	Type	Nationality	Shares	%
1.	Qatar Holding Company	Government	Qatar	89,300,000	11.91%
2.	Qatar Armed Forces Portfolio	Government	Qatar	69,857,478	9.31%
3.	Pensions Fund - General Retirement and Social Insurance Authority	Government	Qatar	18,699,963	2.49%
4.	Ithmar Construction & Commerce	Commercial	Qatar	13,994,950	1.87%
5.	Burooq Commercial	Commercial	Qatar	13,950,000	1.86%
6.	National Fund 3	Commercial	Qatar	13,945,703	1.86%
7.	Qatar Foundation Fund	Government	Qatar	13,400,000	1.79%
8.	Education and Health Fund	Government	Qatar	13,400,000	1.79%
9.	Mirqab Capital	Commercial	Qatar	12,550,000	1.67%
10.	National Fund 4	Commercial	Qatar	12,275,772	1.64%

Board Charter

As it has been in previous years, in 2015 Masraf Al Rayan Board of Directors continued to operate as per its Charter which has been perpetuated on its 4th ordinary Meeting held on 21/7/2014; given that new Members had joined the new formation of the Board at that time.

The Charter outlines the details of the functions of the Board and its responsibilities primarily based on the Corporate Governance Code of the Qatar Financial Markets Authority for companies under its jurisdiction. The Charter has been made publicly available on Masraf Al Rayan website.

Board Duties and Responsibilities

Masraf Al Rayan is operated by an effective Board that is collectively responsible for appropriately supervising the Bank's Management.

Besides the responsibilities stipulated in the Board Charter, the Board responsibilities include the following:

- Approving the strategic goals and appointing Management, replacing it, setting its bonus, reviewing Management performance, ensuring succession planning for Management.
- Assuring the compliance of Masraf Al Rayan with relevant rules and regulations, the Articles of Association of Masraf Al Rayan, taking on the responsibility of protecting Masraf Al Rayan from illegal operations and practices, or that are arbitrary or inappropriate.
- The Board is entitled to delegate some of its authority and to form specialized committees to perform specific roles and functions. In such case, the Board provides detailed instructions about the duty or delegation, subject to preceding Board approval in specific matters. Nevertheless, even if the Board has delegated one or more of its functions, the Board remains responsible for all duties and responsibilities that it has delegated.

Board Members' Entrusted Responsibilities

Each Board Member owes due diligence and care towards executing their responsibility in adherence to relevant rules and regulations, including the Corporate Governance Code for Companies Listed in Markets Regulated By The Qatar Financial Markets Authority, and the Board Charter.

Board Members are required to always operate based on clear information, in good faith, with the due diligence and care required, and assuring the best interests of Company and all Shareholders.

The Board Members are also required to effectively address their obligations towards Masraf Al Rayan.

Duties of the Chairman of the Board of Directors

The Chairman of the Board of Directors is responsible for the proper functioning of the Board of Directors, in an appropriate and effective manner; including that Board Members obtain complete and correct information in a timely manner.

The Chairman may not be a Member of any of the Board's Committees as stipulated in Board Charter.

The duties and responsibilities of the Chairman include, but are not limited to, the following:

- Ensure that the Board discusses all core issues in an efficient and timely manner.
- Approval of the agenda for each meeting of the Board of Directors, taking into account any issue raised by any member of the Board of Directors, and the Chairman may delegate this task to a member of the Board; however, the Chairman remains in charge of the said Member executing the task in an appropriate manner.
- Encourages all Members of the Board to participate fully and effectively in the conduct of the affairs of the Board in order to assure that the Council works for the benefit of Masraf Al Rayan.
- Ensure effective communication with Shareholders and delivering their opinions to the Board of Directors.
- Gives Non-Executive Board Members, in particular, the opportunity to effectively participate, and to encourage constructive relations between Executives and Non-Executives Board Members.
- Ensures conducting an annual assessment of the performance of the Board.

The Board

No change has happened to the Board composition in 2015 and since the last elections in 2014.
The Board formation has continued as follows:

	Name	Title	Nationality
1.	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari
2.	Ministry of Defense - Qatar Armed Forces Represented by Dr. Thani Abdulrahman Al Kuwari	Vice Chairman	Qatari
3.	Ministry of Interior Employees Loans Fund Represented by Dr. Menahi Khalid M. A. Al Hajri	Board Member	Qatari
4.	General Retirement and Social Insurance Authority (Qatar) Represented by Mr. Turki Mohammad Al Khater	Board Member	Qatari
5.	Qatar Holding Company Represented by H. E. Sheikh Faisal Bin Saud Al-Thani	Board Member	Qatari
6.	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari
7.	Mr. Abdulla Ahmed Al Maleki Al Jahni	Board Member	Qatari
8.	Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE
9.	Nile Shore Company Represented by Mr. Nasser Mohamed Al-Abdulla	Board Member	Qatari

Board Member Ownership of Masraf Al Rayan Shares as of 31/12/2015

	Name	Title	Nationality	Status	Frozen Shares as of 31/12/2015	Available Shares as of 31/12/2015	Mortgaged Shares as of 31/12/2015
1.	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari	Not Independent Non-Executive	100,000	700,000	0
2.	Ministry of Defense - Qatar Armed Forces Represented by Dr. Thani Abdulrahman Al Kuwari	Vice Chairman	Qatari	Not Independent Non-Executive	100,000	69,757,478	0
3.	Ministry of Interior Employees Loans Fund Represented by Dr. Menahi Khalid M. A. Al Hajri	Board Member	Qatari	Not Independent Non-Executive	100,000	50,000	0
4.	General Retirement and Social Insurance Authority (Qatar) Represented by Mr. Turki Mohammad Al Khater	Board Member	Qatari	Not Independent Non-Executive	100,000	18,599,963	0
5.	Qatar Holding Company Represented by H. E. Sheikh Faisal Bin Saud Al-Thani	Board Member	Qatari	Not Independent Non-Executive	100,000	89,200,000	0
6.	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari	Independent Non-Executive	100,000	0	0
7.	Mr. Abdulla Ahmed Al Maleki Al Jahni	Board Member	Qatari	Not Independent Non-Executive	100,000	211,492	0
8.	Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE	Independent Non-Executive	100,000	0	0
9.	Nile Shore Company Represented by Mr. Nasser Mohamed Al-Abdulla	Board Member	Qatari	Not Independent Non-Executive	100,000	0	2,900,000

About the Board of Directors

Dr. Hussain Ali Abdulrahman Al Abdulla

Ph.D . Economics

Masters in Special Law

Holds the following positions:
- Board Member - Qatar Investment Authority
- Board Member - The Supreme Council for Economic Affairs and Investment
- Chairman and Managing Director - Masraf Al Rayan
- Chairman - Al Rayan Investment
- Chairman - Kirnaf Investment and Installment Company (Kingdom of Saudi Arabia)
- Board Member -Gulf Investment Corporation (Kuwait)
- Board Member - Volkswagen (Germany)

Dr. Thani Abdulrahman Al Kuwari

Representing Ministry of Defense - Qatar Armed Forces

Ph.D. in Projects Management

Bachelors in Architectural Engineering

Holds the following positions:
- Assistant Minister of State for Defense Affairs for Financial Affairs
- Secretary General - Qatar Olympic Committee
- Vice Chairman - Masraf Al Rayan
- Vice Chairman - Al Rayan Investment
- Chairman - Employee Loans Fund
- Vice Chairman - Mowasalat
- Board Member - United Development Company
- Vice Chairman - Mackeen Holding
- Member - Investments Committee of Retirement and Social Insurance Authority

Dr. Menahi Khalid M. A. Al Hajri

Representing Ministry of Interior Employees Loans Fund

Ph.D. Commercial Jurisprudence

Masters in Special Law

Holds the following positions:
- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment

Sh. Nasser Bin Hamad Bin Nasser Al Thani

Masters of Business Administration (MBA)

Holds the following positions:
- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment

H. E. Sheikh Faisal Bin Saud Al-Thani

Representing Qatar Holding Company

Bachelors in Finance

Holds the following positions:
- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment
- Deputy Head of Industrial Investments Directorate - Qatar Investment Authority
- Board Member - Qatar General Electricity and Water Corporation
- Board Member - Mowasalat

Mr. Turki Mohammed Khalid Al Khater

Representing General Retirement and Social Insurance Authority

Bachelors in Economics and Social Sciences

Holds the following positions:
- Head - General Retirement and Social Insurance Authority
- Chairman - United Development Company
- Board Member - Qtel

Mr. Abdulla Ahmad Al Malki Al Juhani

Bachelors of Management and Economics

Holds the following positions:
- Board Member - Masraf Al Rayan
- Vice Chairman of Insurance Committee - Qatar Chamber
- Board Member - Qatar Business Council

Mr. Khalf Sultan Al Dhaheri

Masters in Business Administration - Certified Accountant

Holds the following positions:
- Board Member - Masraf Al Rayan
- General Manager - Abu Dhabi National Bank (UAE)

Mr. Nasser Mohamed Al-Abdulla

Representing Nile Shore Company

Bachelors in Business Administration - Specialization in Marketing

Holds the following positions:
- Deputy Chief Executive Officer - Ezdan Holding
- Board Member - Masraf Al Rayan
- Board Member - Al Rayan Investment

Independence of Board Members

As per the corporate governance guidelines issued by the QCB at the end of July 2015, specifically the definition of the Independent Board Member, most Board Members are Independent; however, this definition is not in line with the definition of the Independent Board Member as per the QFMA, where the amended corporate governance guidelines issued by QFMA on 9/3/2014, where QFMA defines the Independent Board Member as also not having any Shares more than those required to guarantee their Membership in the Board. According to this corporate governance condition then most Board Members are not Independent.

As for Executive Members, there are none in Masraf Al Rayan Board, bearing in mind that Dr. Hussain Al Abdulla, who also holds the position of Managing Director, does not carry out any day-to-day executive responsibilities. The Group CEO is the Head of the Executive Management of the Bank, while the Managing Director only acts as a link between the Board and the Executive Management. The positions of Chairman of the Board of Directors (Managing Director) and Group Chief Executive Officer (General Manager) have been distinctly separated, and the Chairman is not a Member of any of the Board Committees. The duties of the Chairman of the Board of Directors have been detailed in the Corporate Governance Policy in accordance with Article 8 of the QFMA Corporate Governance Code.

Non-Executive Board Members' Duties

The duties of the Non-Executive Board Members include, but are not limited to, the following:

- Participation in the Meetings of the Board of Directors and to give an independent opinion about strategic issues, performance and accountability, resources, key appointments and operation standards.
- Ensure that priority be given to the interests of Masraf Al Rayan and the Shareholders in the event of any conflict of interests.
- Participation in the Audit Committee of Masraf Al Rayan.
- Monitoring the performance of the company in achieving its agreed upon objectives and targets, and the review of the performance reports, including the Annual Reports as well semi-annual and quarterly.
- Oversight of the development of special procedures for Masraf Al Rayan Corporate Governance and to oversee its application accordingly.
- To make available their skills, experience, and diverse competencies and qualifications to the Board of Directors or its various Committees through regular attendance of Board Meetings and their effective participation in General Assembly Meetings and their understanding of the views of Shareholders in a balanced and fair manner.
- It is permissible for the majority of Non-Executive Members of the Board to request an independent consultant at the expense of Masraf Al Rayan; for any issue related to the Bank.

Board Meetings

The Board of Masraf Al Rayan has convened 6 times throughout 2015 on the following dates:

- First Meeting: January 26, 2016
- Second Meeting: March 3, 2016
- Third Meeting: May 25, 2016
- Fourth Meeting: July 13, 2016
- Fifth Meeting: October 25, 2016
- Sixth Meeting: December 14, 2016

The Board of Masraf Al Rayan executes its duties and responsibilities according to what has been stated in the Articles of Association and Memorandum of Association of Masraf Al Rayan, in alignment with both the Qatar Central Bank Corporate Governance Instructions and the Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority. The Board is considered collectively responsible for supervising the Management of Masraf Al Rayan in the appropriate manner that is in compliance with the Charter of the Board. The Board also approves the strategic objectives and adopts the policies that are the controls for Masraf Al Rayan.

Secretary of the Board of Directors

The position of Secretary of the Board of Directors is held by Mr. Ghassan Al-Rihawi since the inception of the Bank in 2006. Mr. Al-Rihawi previously held the position of Secretary of the Board of the Chamber of Commerce and Industry - Qatar from 2002 -2006 and has managerial experience of over 35 years in the State of Qatar.

The Secretary's duties include recording, preparing, and saving all Minutes of the Meetings of the Board under the supervision of the Chairman. He is also charged with ensuring communications and liaison between the Members and the Board as well as the Board and other stakeholders inclusive of Shareholders and Management.

The Board Secretary also ensures the ability of Members to reach the Minutes of the Meetings, information, documents, and records related to Masraf Al Rayan in full and expeditiously. He is also responsible for giving Shareholders the ability to reach ownership details, records of Shareholders, records of Board Members, Articles and Memorandum of Associations and any other documents which provide any preference or privilege over the assets of Masraf Al Rayan and related parties agreements.

Other Duties and Responsibilities of the Board

Board Members are granted full and prompt access to information, documents, and records related to the Company, the Executive Management of Masraf Al Rayan is committed to provide the Board and its Committees with required all documents and information.

Members of the Board are keen to attend the meetings of the Nominations and Governance Committee, the Remuneration and Compensation Committee, the Internal Audit Committee, internal auditors and representatives of the External Auditors, and of the General Assembly.

The Board of Directors has adopted an induction program which has been developed to ensure that Members, when elected, have a proper understanding of the functioning of the Company, its operations, and that they are fully aware of their responsibilities.

The Members of the Board are responsible for the good understanding of their roles and duties, and they are responsible to educate themselves in financial matters, commercial, industrial, and in the operations of the Company and its functions; and to this end the Board must adopt or follow appropriate and official training courses that aim to endorse the skills of Board Members and their knowledge.

The Board of Directors works to keep its members informed constantly on the latest developments in the field of corporate governance and best practices in this regard, and the Board may delegate the responsibility to the Internal Audit Committee or the Nominations and Governance Committee or any other entity it deems appropriate.

The Articles of Association of Masraf Al Rayan include in Article number (32) clear procedures for the dismissal of Board Members in the event of absence from Board Meetings.

Shari'a Supervisory Board

The Shari'a Supervisory Board maintained its formation throughout 2015 as shown below, since the approval of the General Assembly of Masraf Al Rayan in its Meeting held on 3/3/2014 of the appointment of the Shari'a Supervisory Board for the years 2014 to 2016, the Assembly has also delegated the Board with the Authority to take appropriate action to fill any vacancy for any reason, to determine Shari'a Supervisory Board compensation, and any other matters related to the Shari'a Supervisory Board during the stated period.

- **Sheikh Dr. Waleed Bin Hadi**
  Chairman
- **Sheikh Dr. Abdull Sattar Abu Ghuddah**
  Member
- **Sheikh Dr. Mohamed Ahmeen**
  Member

The work of the Shari'a Supervisory Board includes review of contracts, answering Shari'a related questions, placing solutions for difficulties that arise during implementation. The Supervisory Board also oversees the Bank operations of Masraf Al Rayan to ensure the proper implementation of its decisions, and to ensure that banking operations are done in accordance with Shari'a regulations.

The Supervisory Board also presents its report annually for each financial year to the Ordinary General Assembly Meeting.

Board Committees

The established Board Committees continued to perform their duties throughout 2015 as per their terms of reference which have been updated in alignment with corporate governance guidelines. There has been one major change in 2015 on the formation of the Group Investment Committee, where Mr. Adel Mustafawi withdrew from the Committee in relation to Board Decision 19/01/2015 issued on 23/1/2015. Accordingly, Board Committees Membership has become as follows:

Executive Committee

- **Dr. Thani Abdulrahman Al Kuwari**
  Chairman
- **Sh. Nasser bin Hamad Al Thani**
  Member
- **Dr. Menahi Khalid M. A. Al Hajri**
  Member
- **H. E. Sheikh Faisal Bin Saud Al-Thani**
  Member

Audit Committee (Audit and Compliance Committee)

- **Mr. Khalaf Sultan Al Dhaheri**
  Chairman
- **Mr. Nasser Mohamed Al-Abdulla**
  Member
- **Mr. Abdulla Ahmad Al Malki Al Juhani**
  Member
- **Mr. Turki Mohammed Khalid Al Khater**
  Member

Remuneration and Compensation Committee

- **Mr. Turki Mohammed Khalid Al Khater**
  Chairman
- **Sh. Nasser bin Hamad Al Thani**
  Member
- **Mr. Nasser Mohamed Al-Abdulla**
  Member

Nominations and Governance Committee

- **Dr. Menahi Khalid M. A. Al Hajri**
  Chairman
- **Mr. Abdulla Ahmad Al Malki Al Juhani**
  Member
- **Mr. Abdullah Ahmad Al Maleki**
  Member

Risk and Policies Committee

- **Mr. Nasser Mohamed Al-Abdulla**
  Chairman
- **Dr. Thani Abdulrahman Al Kuwari**
  Member
- **Mr. Turki Mohammed Khalid Al Khater**
  Member

Group Investment Committee

- **H. E. Sheikh Faisal Bin Saud Al-Thani**
  Chairman
- **Sh. Nasser bin Hamad Al Thani**
  Member
- **Mr. Feizal Ali -** Member
- **Mr. Ahmed Sheikh -** Member
- **Mr. Haithem Katerji -** Member

Executive Committee

The Executive Committee is considered one of the most important Committees as it helps the Board review Masraf Al Rayan activities and undertakes studies of matters which shall be presented to the Board, such as credit transactions or other activities of Masraf Al Rayan that require Board approval. The Committee is the one to prepare the recommendations that are to be presented to the Board.

The most important duties of the Executive Committee are:

- Review of the main functions of the Board
- Discussing and passing items that fall under the purview of the Board or those that develop in between Board Meetings.
- Providing reports and recommendations to the Board as and when needed.
- Endorse risk policy.
- Recommendation to approve policies, rules, and any additions or amendments.
- Approving or recommending ceilings for transactions with new banks and countries that the Bank deals with and making the necessary amendments.

The Committee has held the following meetings:

- First Meeting: 19/1/2015
- Second Meeting: 20/4/2015
- Third Meeting: 23/12/2015

The Committee has studied several requests submitted to it throughout 2015, and has taken decisions on them by way of circulation.

Audit and Compliance Committee

The Committee has been renamed thus from the Audit Committee to the Audit and Compliance Committee by Board Decision 7-2/3/2015 issued on 25/5/2015 including the request to amend the Terms of Reference to include its new duties.

The majority of the Members of this Committee should be independent with an Independent Member chairing the Committee.

The Internal Audit Committee has the following responsibilities:

- Appoint the internal audit staff and adopt a policy for contracting the external auditors.
- Supervise and monitor the independence of the external auditors and their objectivity and discuss with them the nature and scope of the audit and effectiveness in accordance with international auditing standards and international financial reporting standards.
- Overseeing the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports, review the data and reports in particular with regards to their compliance with accounting, transparency, listing in the market and disclosure standards.
- Coordination with the Board and senior executive management and Chief Financial Officer of the Bank or designate and arrange meetings with the external auditors at least once a year.
- Study any important and unusual issues included or will be included in the financial statements.
- Revision of financial and internal control systems and risk management.
- Discuss the internal controls system with the management and ensure the performance of the management of its duties towards the development of an effective internal controls system.
- Considering the results of the investigations in the internal control issues entrusted to it by the Board of Directors.
- Ensure coordination between the external and internal auditors and verify and supervise the effectiveness of the internal audit.
- Review the accounting and financial policies and procedures of the Bank.
- Review letter of appointment of the external auditor, his work plan and any queries he requested from Senior Management of the bank as well as the responses of the management.
- Ensure prompt response to Board of Directors queries and matters raised by external auditors.
- Developing rules to be approved by the Board of Directors allowing the staff of the bank to report confidentially their concerns regarding any issues that are likely to raise suspicion, and to ensure appropriate arrangements for an independent and fair investigation about these issues while preserving confidentiality and protecting the staff from any retaliation.
- Oversee compliance with the rules of professional conduct.
- Consider any other matters determined by the Board of Directors.

The Audit Committee held the following meetings:

- First meeting: 19/1/2015
- Second meeting: 20/4/2015
- Third meeting: 19/10/2015
- Fourth meeting: 16/12/2015
- Fifth meeting: 23/12/2015

Remuneration and Compensation Committee

The committee has the following responsibilities:

- Determining the remuneration policy at the bank, including the emoluments of the Chairman and all members of the Board and the senior executive management.
- Updating regulations of the rewards and compensation whenever the need arises.

- Proposing remuneration of the members of the Board of Directors and executive management, taking into account the following:
    - o The value of awards granted to members of the Board of Directors and executive management in similar financial institutions, local and regional.
    - o Profits and achievements of the bank during the financial year and compare them with the results of previous years.
    - o Economic and financial conditions during the fiscal year.
- Responsibilities and scope of tasks of the Board members and senior executive management.
- Observing the relevant articles in Masraf Al Rayan Articles of Association that determine the value of the bonuses for the members of the Board of Directors.
- Proposing the bases that determine the annual bonuses for staff.
- Presenting the remuneration policy and principles to Shareholders in a General Assembly Meeting for approval and public announcement.

  The committee had a meeting on 19 January 2015.

Risk and Policies Committee

Committee Objectives:

Risk Management

A. Operational Risk

1. Review of the effectiveness of Risk Management at Bank level as a whole
2. Evaluating new significant risks that affect the Bank
3. Identifying new Strategic Risks inclusive of institutional issues such as regulatory framework, business development, and other similar issues
4. Reviewing the Key Risk Indicators and identifying issues that require the attention of the Board on a quarterly basis
5. Review of significant operational losses
6. Review of all Risk Policies annually

B. Credit Risk

1. Review of Credit Policies annually
2. Instituting and reviewing the Credit Authority as needed, and at least once annually
3. Review of and ratification of maximum counterparty limits, other financial institutions and countries, when needed and at least once annually
4. Review of past-dues and delinquencies to recommend suitable provisions
5. Review of write-off or return to profitability vs. provisioning levels
6. Review and monitoring of the raised legal cases and collection

C. Monitoring Reputational Risk and other Risks not mentioned above

D. Policies

1. Review, development, and update of policies that require Board approval

The Committee held the following meetings:

- First Meeting: 22/4/2015
- Second Meeting: 19/10/2015
- Third Meeting: 8/12/2015

Nominations and Governance Committee

Committee responsibilities:

- Adoption and publication of its terms of reference showing its authority and role.
- Proposing appointment of Board members and the re-nomination for election by the General Assembly.
- Supervise the implementation steps for the call for nominations to the Board, and consider applications received to ensure matching of applicants for membership conditions.
- Determining qualifications for Board membership, including independence.
- Make sure that candidates can give sufficient time to carry out their duties as members of the Board as well as their skills, knowledge and experience and professionalism, technical, academic and personality.
- Consider any conditions or requirements relating to the nomination or election or appointment of Board members from Qatar Central Bank or any other authority.
- Evaluate candidates for senior executive management positions, and submit recommendations to the Board of Directors.
- Perform an annual self-assessment of the Board's performance.
- Follow-up Board Committees' self-assessments.
- Supervise Board structure and composition of its committees.
- Review the annual Corporate Governance report of Masraf Al Rayan, and to recommend its approval by the Board.
- Placing an induction program for new Members and suggesting training for them as and when required.

The Committee held a meeting on 19/1/2015

Group Investment Committee

Committee Responsibilities:

- To prepare, study, and develop investment policies for the Group that includes the broad lines for investment and identification of assets and prohibited investments.
- Review and approve the investment activities of the Group, place limits on single transaction investments or for cumulative annual limit as per Investment Policy.
- To supervise the management of the Group's investment portfolio to monitor compliance with Investment Policy.
- Review investment portfolio performance by comparing actual vs. expected returns, as well as comparing it to market performance indices approved by the Board, taking into account compliance with policies and directions and risk level.
- Review of periodic analysis and Management Reporting.
- To approve investment sector limits.
- To approve investment country limits.
- To review investment strategies whenever the need arises.
- Other duties and responsibilities and having authority as per Board delegation.
- Preparing reports and presenting them to the Board to disclose investment decisions which were made, policies, and investments performance.
- To carry out any other assignments whenever requested, as per the changes in the policies of the Board or Qatar Central Bank regulations, or Qatar Financial Markets Authority regulations, or as needed as per market developments.
- To approve investment deals according to the set limits by the Committee and to raise recommendations for deals with higher limits to be approved by the Board.
- Invite experts and / or concerned personnel to Committee meetings to provide opinions in technical areas.

The Committee held the following meetings:

- First Meeting: 20/4/2015
- Second Meeting: 19/10/2015
- Third Meeting: 8/12/2015

Board Charter

The Corporate Governance Charter aims at providing frame of responsibility and control over the Bank in addition to ensuring the existence of a supervision that is based on respect of values according to the laws and related regulations.

Masraf Al Rayan solemnly believes that following this Charter will enhance - in the long run - trust with shareholders, clients and employees and different stakeholders in addition to establishing and supporting Masraf Al Rayan reputation in the money market.

The Board Charter is binding not only on the Board members but on all staff and the Board of Directors is considered responsible for implementing this Charter and applying it by all staff at Masraf Al Rayan.

This Charter was last updated and ratified by the Board of Directors in 2014 pursuant to their resolution number 8/4/2014 issued on 21/7/2014.

Board Remuneration

The Remuneration and Compensation Committee discussed the Board of Directors' bonus and that of the Senior Management and connected it to profit and achievements that the bank had realized during the fiscal year and comparing it with the results of previous years.

The Committee also takes into consideration the economic and financial position during the fiscal year, the responsibilities and scope of duties of the Board Members and the Senior Executive Management must be taken into consideration and that bonuses must be within the permitted level in the Articles of Association, related regulations, and Central Bank instructions.

List of Bonus, Fees and Allowances of Members of the Board of Masraf Al Rayan

The list of bonuses and allowances and compensations of Board Members is reviewed and updated on an annual basis by the Nominations and Compensation Committee; where the regulatory guidance is included regarding these compensations.

For the year 2015, bonus, fees and allowances of the Board has been presented before the Committee in their Meeting held on 12/1/2016 which was then recommended to be approved, subsequently it has been presented to the Board on their Meeting on 18/1/2016 for ratification before presenting to the General Assembly Meeting to be held on 23/2/2016.

The List includes a presentation on the regulations upon which the List was based, the Board of Directors Resolutions in that regard, and the basis on which the bonus for the Board of Directors and Senior Management is based, and the Qatar Central Bank regulations in this regard.

Policies

Masraf Al Rayan is committed in its work to follow an adopted group of policies that determine the framework and controls on all activities. These policies are updated and amended through the Policies and Development Committee before approval by the Board; on a regular and an as-needed basis.

Masraf Al Rayan follows updated policies and reviewed polices which include:

- Internal Audit Policy
- Compliance Policy
- Investment Policy
- Finance Policy
- Corporate Governance Policy
- Anti-Money Laundering and Combating of Financing of Terrorism Policy
- Credit Policy
- Personnel Policy
- Whistleblower Protection Policy
- Customer Acceptance Policy
- Succession Policy
- Shari'a Policy
- Risk Monitoring Policy
- Stress Testing Policy
- IT Policy
- Code of Conduct

Credit Rating of Masraf Al Rayan

In their report issued on August 6, 2015, Moody's Investors Service has affirmed Masraf Al Rayan's (MAR) A2/Prime-1 issuer ratings and baa3 baseline credit assessment (BCA) and adjusted BCA. At the same time, Moody's changed the outlook on the bank's long term issuer ratings to positive from stable.

Moody's affirmation reflects Masraf Al Rayan's continued strong core financial fundamentals with (1) consistently strong asset quality performance, (2) strong and stable profitability and (3) solid capital buffers. These strengths are moderated by (1) the bank's dependence on key management relationships to generate new government-related business and (2) high loan growth coupled with a high degree of concentration on both the asset and liability side of the balance sheet.

Moody's stated that the change in the outlook to positive from stable reflects the ongoing improvements in MAR's business and geographic diversification, including the growth and transition to profitability of its recently acquired subsidiary Al Rayan Bank PLC based in UK (previously named Islamic Bank of Britain/IBB), coupled with expectation that the Bank will continue to maintain its strong overall financial performance.

The key driver of the outlook change is the Bank's increasing diversification following the growth and first time profitability of its subsidiary Al Rayan Bank UK (originally IBB). MAR completed the Al Rayan Bank UK acquisition in January 2014 and brought the institution to profitability for the first time in the history of the bank (IBB started operations in 2004). ARB UK has grown significantly (around 23% year-to date in 2015) and supports a modest but growing retail business outside the saturated Qatari domestic market, which has increased the contribution of retail operations towards MAR's operating income to 18% as of H1 2015 from 5% as of YE2011. Going forward, we expect these diversification trends to continue as the bank's UK subsidiary grows further and also supports expansion into other European Union markets where its strong Qatari customer base is active.

In addition to the Bank's growing diversification, Moody's positive outlook is also driven by Moody's expectation that the Bank will continue to post strong overall financial performance, supported by Qatari government spending and the overall solid operating environment despite a drop in oil prices.

Internal Controls inclusive of Financial, Investment, and Risk Management

The internal controls and compliance officers form the first line of tools used by management in order to supervise and review compliance with regulatory guidance and instructions. The officers escalate reports as and when needed directly to the Executive Management or the Board of Directors; accordingly the Board is fully aware of the results of the internal controls.

This means that:

- Evaluating and awarding credit
- Investment
- Liquidity
- Market Risk
- Capital Adequacy
- Concentrations Risk
- Foreign Exchange Risk
- Profit Rate Risk
- Pricing
- Profitability and Balances
- Operational Risk and Accounting
- Legal Risks
- Anti-Money Laundering
- Insuring Assets
- Related Parties and Conflict of Interest
- Compliance with laws, regulations, and regulatory instructions
- Internal and External Audit
- Performance Evaluation
- Disclosures to relevant parties
- Policies related to personnel which govern employment, costs, incentive schemes, development of skills, and nurturing ethics and code of conduct
- In addition to other policies

are all being reviewed to ensure implementing the best standards and compliance with the regulatory requirements. Then the Internal Audit reviews the functions of the Compliance Officer and Risk Officer to provide reasonable assurance to the Audit Committee of the Board of Directors that these functions are being carried out at a reasonable level of competency and to highlight issues of concern. All of which are also governed by the Policies set forth by the Board (mentioned above in Policies). The evaluation of the Board and Senior Management in how they have applied the systems of internal controls is conducted inclusive of reporting the number of times the Board has been notified about control issues, inclusive of risks, and the way the Board has addressed these issues.

The internal controls work has not revealed other than ordinary issues which have been addressed routinely by each of the Risk Officer and the Compliance Officer within the set policies which did not require Board level intervention.

The control departments continually attempt to uncover areas of potential failure of application of internal controls or even weaknesses in implementation and they are responsible for follow-up to ensure rectification of the issues raised.

The internal control activities are distributed between the control departments, they continually carry out inspections, comprehensively, and raise issues to the Executive Management about findings, observations, violations, and such in order to take the necessary corrective action. There has been no emergency that influences or that may influence the financial performance of the Bank.

External Auditor

The General Assembly of Masraf Al Rayan approved the appointment of the External Auditors KPMG for the financial year 2015 in their Meeting held on 2/3/2015. This has been presented to the General Assembly after their presentation has been selected by the Audit Committee and obtaining the Qatar Central Bank approval in this regard.

KPMG were contracted due to their application of best practices and their maintaining independence and refraining from entering into conflict of interests relationships. The External Auditors also attend the General Assembly to present their annual report and responds to inquiries. It is noteworthy that KPMG has been selected again bearing in mind the restriction on the number of consecutive years for selecting the same external auditors, which has been set by both QCB and QFMA at 5 years.

Duties of the External Auditor

An independent and qualified External Auditor is to be appointed based on the recommendation made by the Audit Committee to the Board of Directors, and the General Assembly Resolution for the External Auditor's firm to conduct an annual independent audit and quarterly review. The aim of the audit is to provide reasonable assurance to the Board of Directors and Shareholders that the financial statements have been prepared in accordance with the best practices, international standards, and are governed by applicable laws and relevant regulations and standards that govern the preparation of financial statements; and that they represent exactly the financial position and performance in all material respects.

The External Auditor should adhere to the best professional standards, and Masraf Al Rayan is committed not to contract them to provide any advice or services that may result in a conflict of interest, and thus the External Auditors are considered to be independent completely off Masraf Al Rayan and its Board of Directors, and have no absolutely no conflict of interest in their relations with Masraf Al Rayan.

The External Auditor is accountable to the Shareholders and owe Masraf Al Rayan the duty of due professional care required when an audit conducted, the External Auditor also has the duty to inform Regulatory Authorities in the event of failure of the Board to take appropriate action in regards to any suspicious matters raised or identified by the External Auditor.

Company Compliance with Rules and Conditions Governing Disclosure and Listing on the Market

Masraf Al Rayan Board of Directors is committed to the principles of transparency in performing its business with regards to the requirements of disclosure on all that may affect the financial performance of the bank or the movement of its shares' prices. Information of the Board members was provided to Qatar Financial Markets Authority as well as to Qatar Exchange to make known their ownership of shares. The Board Charter identifies the responsibilities of the Board and its committees.

The Board is also keen to provide Qatar Exchange with financial statements and clarifications as set by the Qatar Exchange regulations, in addition, the Board publishes the financial statements once approved by the Board of Directors according to the Commercial Companies Law, Qatar Central Bank regulations, Qatar Exchange rules, and the regulations of Qatar Financial Markets Authority.

Financial statements are published supported with external auditors' report who confirms in his reports that the reports and financial statements of Masraf Al Rayan are issued in conformity to the international accounting and auditing standards and that the external auditor has obtained all the data and information that are necessary to perform the audit.

The financial statements and the External Auditors' reports are published on the Qatar Exchange website and on the local media and some GCC newspapers according to what is stated in the Articles of Association of Masraf Al Rayan and the Commercial Companies Law number 11 of the year 2015.

Company Compliance with Internal Control Systems for Risk Identification and Management

The Board of Directors gives special attention to setting internal control systems by clearly determining its responsibilities including its position in the organization chart and its relationship with other departments in a way that would ensure its independence and effectiveness. The Board provides adequate resources and fast and clear reporting lines to the Board of Directors and senior management and provide it with necessary authority to have access to information within the frame of clear and adequate policy and procedures and making annual revisions to these policies.

The Board ensures that the duties of the Internal Audit include the audit of activities of the Compliance Manager. In addition to the above, the Executive Management in collaboration and coordination with the Compliance Manager takes the necessary corrective and disciplinary action if any violations are discovered and submit periodical reports to the Board on matters related to the policies and procedures of the compliance to help in improving them.

Risk Management Operations and Internal Control Procedures

Masraf Al Rayan Board is responsible for managing risks, and the Board has delegated the Executive Management with the authority to take decisions necessary to monitor risks on a daily basis and to manage them via comprehensive controls at a high level.

The wise governance and oversight of risk management stems from the Board and is managed at the level of department, which is done through many means inclusive of weekly and monthly management informative reports and key risk indicators and risk records of the Bank. Departments also put in place the standards used to keep risks within acceptable limits. These limits are set either by the Board to suit risk appetite and its importance, or set by the respective concerned departments to provide quality service. The Bank has established various appropriate levels of committees from Board level all the way to Bank Managements level.

The enterprise risk model followed by Masraf Al Rayan has three main defensive lines, where the appropriate responsibilities and authorities are assigned to each of the defensive lines, and the Bank's committees perform as per their delegated authority at the various levels from as high as the Board, Board Committees, Executive Management Committees, and even at staff levels.

Risk Management is carried out by independent functions headed by experts such as the Chief Risk Officer, Head of Compliance, and Head of Internal Audit; and their departments identify, assess, monitor, provide consultation, and raise reports about the various risks of non-compliance with applicable laws, regulations, and standards.

Internal control objectives are summed up in protecting the Bank's assets, monitoring available resources, reasonably assuring accounting information, identifying authorities and responsibilities as well as ensuring conformity, and following a clear policy in selection of suitable cadre at the various managerial levels.

Processes Applied by the Bank to Determine, Evaluate, and Manage Risks

Stress Testing

The measurement and monitoring of various risks is a vital concern in assuring the health of financial institutions and the financial system as a whole. And in this regard, stress testing has been widely used by international financial institutions and especially by regulatory entities to verify the ability of banks and other financial institutions to withstand the different risk factors. The idea behind stress testing is to assess the effects of exceptional but credible situations on the financial position of the Bank as well as other entities. Several quantitative technical methods have been utilized which can be divided into two main categories: sensitivity testing and scenario testing. These tests are conducted to include testing: credit risk, liquidity risk, market risk, and operational risk.

These tests which are performed by the Risk Management Department aim to measure the Bank's ability to withstand future losses which it might be exposed to in light of specific scenarios about future economic factors starting with what is known as the base scenario, i.e. the scenario of the situation remaining as it is, and several other scenarios that vary in their degree of severity of the assumptions made. Specifically, these tests aim to discover whether the Bank will continue to have viable assets sufficient to face the potential losses in case the worst scenario occurs. In this way, the Bank is able to present a realistic view of its exposure sensitivity and its ability to withstand potential shocks to the economy, if a situation was to develop in the worse direction, as well as evaluate the Bank's ability to sustain various shocks as a result of market risk and credit risk.

These tests are conducted based on the Bank's current financials and the data collected about the risks that the bank is facing by the risk management function of the Bank.

Financial stress testing of the Bank allows taking the appropriate actions and to determine whether the Bank's position is solid, and that is through determining what financial assets the Bank has to be able to meet its financial obligations and to cover its potential future losses in the worse possible assumptions scenario, and whether it can continue to act as a financial agent without government support through financial assistance, or to seek support from other financial support sources in the private finance market, inclusive of options to go through merger. These are all assumptions that enable the Bank to hedge its position and provide studied options in case of any negative developments.

The Bank has complied with all QCB regulations concerning stress testing and has complied with providing the reports necessary for that.

Credit Risks

Risk is an integral part of the financial industry, especially in today's world economy condition and the increasing aggressiveness of competition and the size of financial transactions as well as technological developments and the need for larger banks. That is why proper risk management assists the Bank in succeeding and ensures its continuity in the banking sector with acceptable returns and reduced risks.

The Bank's Credit Policy is considered the pillar of the Credit Risk Management's function. That is why the Bank is keen to develop a comprehensive tool to evaluate credit by placing a comprehensive Credit Policy that contains the framework of standards and conditions and guidance for granting credit through following a standardized approach in the process of credit evaluation & management, which provides unified system with sufficient flexibility.

The Bank extends credit facilities only after the applicants meet a set of requirements namely, a clearly identified purpose of the requested facility, adequacy of sources of repayment, customer creditworthiness and experience, acceptable risk level as per MAR approved risk level, as per MAR approved risk appetite, and sufficient collaterals to protect the Bank's rights should the client face difficulty in repayment or stopped altogether without any losses.

Credit is given through the 4 levels of the Credit Committee of the Bank which consists of the following:

1. Retail Credit Committee for credit facility limits up to QR 15 Million
2. Group Credit Committee for credit facility limits up to QR 150 Million
3. Executive Committee for credit facility limits up to QR 300 Million
4. Board Committee for credit facility limits above QR 300 Million

Accordingly no one individual has unilateral lending authority for non-personal lending.

Credit Risk Division

The Credit Risk Division in Masraf Al Rayan follows a number of procedures to identify, assess, measure and monitor risks associated with any financing by adopting the following processes:

Criteria of the Credit Risk Division

1. Determining credit types and sectors (economic) for which the Bank may extend financing.
2. Establishing a limit cap for group exposure as well as pricing modules.
3. Determining types of collaterals, their mechanism of evaluation, the approved professional agents which conduct the evaluation, its financing to collateral value, and taking precautionary steps to protect the bank against any such risk by obtaining property insurance and periodical evaluation of these collaterals.
4. Placing conditions for approval of credit inclusive of information that must be obtained prior to granting of credit facilities, and granting the delegation to grant credit facilities, and establishing independent review of credit and conditions for rating of credit and provisioning.
5. Establishing the level of risk that the Board approves to enter into while financing.
6. Preparing independent credit recommendations for Business Units.
7. Disclosure of all the information related to the client to the Credit Committee with all transparency so that a well advised credit decision is made.
8. Enhancing the role of monitoring and managing credit to ensure the necessary follow up is done to complete all the documentation and collateral as per the Credit Committee recommendation to activate the limits in the electronic system.
9. Implementing an internal credit rating system that takes into consideration both quantitative and qualitative aspects of the client and their position in the market and the presented collaterals that would assist in taking a proper credit decision.
10. Implementing stress testing on the facilities provided in order to bolster the process of identifying and controlling the risks and providing the tools that would complement risk management with the objective of arriving at an overall evaluation of credit risks.

Implementation of Sound Measures to Determine Credit Risks

Granting credit facilities is based on sound measures and include the following:

1. Having a client request or credit application that is duly signed by a sufficiently authorized delegate.
2. Obtaining sufficient information in order to make a comprehensive evaluation of the client and types of risk underlying the requested facility, as well as to be able to rate the client as per the Bank's internal credit rating system.
3. Knowledge of the customer's reputation, experience, market share (economic sector), and purpose of finance.
4. Studying the nature of the current and future risks of the credit applicant, their industry, and sensitivity to the economic developments, and assess the relation between associated risks and profit.
5. Evaluating the sources of repayment and customer's commitment to settle previous debts and type of the acceptable collaterals.
6. Obtaining all the collaterals and completing their evaluation.
7. Analysis of the client's financial position using updated audited financials.
8. Supporting the application with Qatar Credit Bureau reporting on the client to understand the nature and volume of existing facilities of the client and history.
9. Establishing credit limit caps for all on & off-balance sheet items, credit limit caps for industry, countries, and establishing credit limit caps based on the customer risk rating.
10. Establishing credit limit caps which can be extended for equity at one obligor level, group level, and inter-related relations level, as well as those with overlapping interests.
11. Observing QCB regulations regarding lending.
12. Approving the modus operandi of Stress Testing which includes policy, framework, methodology, and assuring the definition and identification of the suitable factors related to credit risk and assigning the associated responsibilities and their consequences, as well as presenting them to the specialized Committees to support in taking the related decisions.

Existence of Procedures to Handle and Follow-up Credit

The procedures for handling credit include:

1. Existence of a filing system to handle customers' files and update its information and documents on periodic basis.
2. Follow-up the execution of the credit facilities to make sure that everything is complying with the procedures, policies, laws and compliance regulations namely, the client's current financial position, existence of sufficient securities with coverage suitable to the current status of the customer, and the client's utilization of the facilities.
3. Follow up on utilization of credit limits, this task is made through a portfolio updated report submitted on periodical basis.
4. Internal credit rating of the client which helps in: granting financing and follow up its quality, facility pricing, determining credit portfolio characteristics and credit concentration, determining defaulting accounts and sufficiency of its provisions.
5. Periodic monitoring of any credit risk or defaulting sectors for business units to take the necessary action.
6. Issuing of periodic reports and advising Business Units and Management as needed.
7. Credit Risk Administration is an independent unit whose task consists of reviewing credit approval conditions, collaterals, facilities agreements, and all operational matters prior to releasing credit, inclusive of activating the approved limits and issuing periodic reports.

Existence of Sufficient Procedures to Monitor Credit Risks

Risk monitoring procedures include the following:

1. Internal controls to make sure that any exception or deviation in the credit policy or credit procedures and credit limits and / or regulations is reported.
2. A Collection Unit to detect defaulted credit at an early stage through generating a daily past dues report and advise the concerned business unit in order to avoid it in future.
3. Periodic review of the delegation of authority of those authorized to sign, and the associated documentation.
4. Updating the Bank's Credit Policy to develop it and improve it with the latest changes and variables to improve risk management.
5. The Bank conducts a regular periodic review of all the approved credit facilities granted as per its delegation to monitor its portfolio status, exposures, credit concentrations, and sector performance. The Bank also follows up on all credit facilities, increases in limits, and follows up and monitors completion of collateralization, and takes the necessary actions at the appropriate times. Moreover, non-active facilities are reviewed, as well as risk rating based exposures inclusive of all limits granted, and recommendations are made, if any, to the Board.

6. Risk Management establishes an area of common grounds with the business units in order to exchange information and create a risk aware culture that is aligned with the Bank's strategy.
7. Risk Management activities are ongoing and continually enhanced in line with the Bank's strategy.
8. Adopting and using systems to evaluate client risks in accordance with Basel guidelines and QCB regulations.

Market Risks

The way the Bank handles market risk essentially did not change because it still relies on using the latest banking standards, depending on Qatar Central Bank regulations, and the principles of Basel II while using the expertise of internationally experienced staff.

To mitigate these risks, the bank diversifies its activities in different countries, sectors, products and client segments and takes proactive steps to manage these risks.

The relevant staff monitors several risks linked to the market such as foreign exchange risks, profit rates, pricing, liquidity, general investments, clients' deposits investments, commodities prices, liquidity and capital adequacy. Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the Management to assist in taking proper decisions and monitor the market risks as required.

These reports include daily reports such as reports on the market reaction and daily reports on the performance of the Qatar Exchange, a weekly report on the Treasury in addition to the monthly report to the Assets and Liabilities Committee (ALCO) which shows the budget position, banking ratios, and stress tests on budget, gap analysis in assets and liabilities. ALCO members are from the Senior Management and this report is discussed in its monthly meeting where decisions are made and followed up.

Credit Limits for Banks and Countries

In compliance with Qatar Central Bank regulations, credit limits are recommended to be set for banks that Masraf Al Rayan has business relationships with as well as credit limits for countries as per their rating. The Board approves these limits and they are thereafter presented to the QCB.

Operational Risk

In its effort to mitigate the associated Operational Risks, the Bank applied policies, methodological procedures to evaluate and to monitor and to manage systems and to report any weakness therein. This includes effective segregation of tasks, restricting system access, and adopting effective procedures to delegate authority and to make reconciliations. In addition to continuous learning and education to employees, ongoing performance evaluation, and also having established a new advanced system to monitor and evaluate operational risk indicators, inclusive of the database and potential losses.

Operational Risk Mitigation

In an effort to encourage better risk management practices, MAR is keenly interested in efforts to better mitigate and manage operational risk. MAR has controls and programs in place to reduce the exposure, frequency, or severity of an event and hence, manage risk exposures. MAR controls are examined to know whether the control is truly reducing risk, or merely transferring exposure from the operational risk area to another business sector.

Operational Risk Department's Best Practices

- Maintaining ISO23301 certification for business continuity management.
- Maintaining ISO27001 certification for information technology security with successful periodic tests.
- Conducting internal capital adequacy assessment processes (ICAAP) in implementation of the first requirement of the second pillar of Basel II and that is to assist the Board in the continual evaluation of the risks that the Bank is exposed to.
- Preparing a Bank capital plan according to QCB guidelines.
- Preparation of a recovery plan for the business continuity of the Bank and to ensure a continually viable operational financial model when faced with short liquidity or severe insufficient capital adequacy.
- To provide a complete framework for testing and to assess the results of such testing.
- To cover intolerable risks via insurance.
- Developing a monitoring system for information security incidents.
- Implementing a new advanced malware protection and phishing prevention system.
- Conducting intrusion vulnerability tests on information technology systems.
- Implementing a real time monitoring system of suspicious transaction (AML) and integrating it with SWIFT to intercept any transaction suspected of being related to money laundering while the transactions are taking place before their completion.
- Implementing a specialized system for managing operational risks (SAS) to manage operational risk indicators inclusive of analysis and follow up of incidents and operational losses.
- Setup of fraud monitoring unit to deal on a 24/7 basis with detection and prevention of fraud on ATM Cards and Credit Cards. The unit utilizes a pre-emptive approach to stop suspect transactions.
- Successfully participating in a Cyber Security Drill organized by the Supreme Council for Communications and Information Technology of Qatar (ictQatar).

- Protection of the Bank's valuable data in a pre-emptive manger to hedge against any emergency by keeping a copy of the Bank's data at Meeza disaster recovery center at Qatar Foundation's Science and Technology Park, and keeping an extra copy of the important data at a data center in the city of Nice, France.

Shareholder Rights

The Board of Directors of Masraf Al Rayan is keen to protect its Shareholders as per what is specified in related rules, regulations, and the Articles of Association; whereas each shareholder's share entitles them to the same rights as another Shareholder with the same amount without bias in their claim to the Bank's assets and/or in the divided profits as described in the Articles. It also allows Shareholders the right to use their voting rights via proxy.

Shareholder Register

Qatar Central Securities Depository company (QCSD) maintains shareholder records of listed companies, and because the Shareholder information changes in real-time as long as the market is open; the QCSD provides this information freely at the following times:

1. When General Assembly Meeting (GAM) or Extraordinary General Assembly Meeting (EGAM) is held.
2. At the time of profit distribution.
3. At the time of an acquisition or merger.
4. When a capital increase through subscription is carried out.
5. At the time an entity changes its legal status.
6. Any other situation as determined by the QFMA.

Masraf Al Rayan requests this Shareholder information from QCSD as needed and in such cases. E.g. the information is requested on the day of holding the GAM or EGAM, where this information is needed to record presence and quorum and to distribute profits to Shareholders (given that in cases other than the listed above, a period of 30 days is required between each request).

Masraf Al Rayan also assures the Shareholder the right to obtain the following information: register of Members of the Board of Directors, the Bank's Memorandum of Association and Articles of Association, any documents that give any right or preference to the assets of the Bank, and contracts with related parties, and any other documents that are required as per the guidance of QFMA and at the fees stipulated by QFMA.

Accessing Information

Masraf Al Rayan provides its Shareholder information which has been obtained from Qatar Exchange upon request as per the rules, regulations, and related Articles and Corporate Governance guidelines. Similarly, other information is available on the internet on Masraf Al Rayan's electronic website www.alrayan.com for ease of access to the most important information for investors and clients.

Conflict of Interest and Insider Transactions

Masraf Al Rayan is committed to the adoption and the declaration of general rules and procedures governing its entry in any business transaction with a related party. In any case, Masraf Al Rayan refrains from entering into any business transaction with a related party, or to sign with them, except in compliance with the Bank's policy for Related Parties. Such policy must ensure that the principles of transparency, fairness and disclosure are applied, and requires the approval of any such transaction with a related party by a majority of Shareholders in a vote in which the said related party that does not vote.

In case any question of a conflict of interest or a business deal between Masraf Al Rayan Bank and a Member of the Board or any related party to the Board Member during a meeting of the Board, that the topic is discussed in the absence of the Member concerned, who has absolutely no right to participate in the vote on the deal. And in any case such deal must be done according to market prices and on a purely commercial basis, and must not include conditions contrary to the interest of the Company.

Fair Treatment of Shareholders and Voting Rights

The Articles of Association of Masraf Al Rayan state that each Shareholder has the right to attend General Assembly meetings, Shareholders who are minors or interdicted may be represented by proxy via their legal representative or guardian, while entities that are Shareholders may delegate a person as an official legal representative via written delegation in compliance with legal precedents.

Shareholders who attend the General Assembly have the right to discuss the items on the Agenda, direct questions to the External Auditors, and the Board has to respond to the questions of the Shareholders in as much detail as possible that would not expose the Bank to any risks, and if the Investor deems the answer insufficient then they may revert to the General Assembly whose decision is mandatorily executable.

Furthermore, the Articles of Association of Masraf Al Rayan stipulate that each Shareholder has a number of votes that is equivalent to the number of Shares that they have.

Shareholders' Rights - Election of Board Members

Masraf Al Rayan is keen to apply the principle of giving Shareholders information about the candidates to the Membership of the Board before election, including a description of the candidates' skills, professional and technical experience, and other qualifications. Masraf Al Rayan has addressed the Qatar Central Bank for approval to add an article the Articles of Association that contains provisions to give Shareholders information about the candidates to the Membership of the Board before elections.

The subject of the election of the Members of the Board of Directors by cumulative voting remains governed by the approval of the Ministry of Economy and Commerce, which oversees elections of corporate boards to in its own way, according to the principle followed which is that each Shareholder has a number of votes equal to their number of Shares. Bearing in mind that QFMA has conducted a workshop dedicated to Corporate Governance Code of Listed Companies on December 24, 2015, where it has dedicated the workshop to explaining the mechanism of cumulative voting and to assert the instruction and its compliance, as well as other notes on the preparation of the corporate governance report.

Shareholders' Profit Distribution Rights

The distribution of profits is completely based on the financial results achieved by Masraf Al Rayan at the end of each year, in addition to compliance with the rules, regulations, and related guidance especially from Qatar Central Bank with respect to all forms of reserves (legal reserve, risk reserve, fair value reserve) the Board annually assesses different scenarios of which the best chosen and presented to the Ordinary General Assembly Meeting in detail showing the profits earned and their distribution. The General Assembly has the right to accept the recommendation or amend it.

Capital Structure, Shareholder Rights, and Significant Deals

Banks rely mainly in their income on lending to individuals and corporations, and Qatar Central Bank issues regulations on maximum credit limits whether for one deal or for cumulative volume of deals for each one client or one sector.

Other Stakeholders' Rights

The Corporate Governance Policy adopted by Masraf Al Rayan ensures fully respecting all parties to the transactions inclusive of stakeholders. The human resources policy ensures fairness and justice between employees without prejudice to race, gender, or religion. Management annually allocates bonuses to employees reciprocating the profits and their individual efforts using a methodical studied approach.

At the same time, the Whistleblower Protection Policy approved by the Board gives each employee the opportunity to deliver their complaints to Management without fear of reprisal or consequences and fully maintaining their rights. Masraf Al Rayan employees comply with a Code of Conduct that includes the business ethics.

Masraf Al Rayan's Corporate Social Responsibility

Masraf Al Rayan Believes in the importance of its Corporate Social Responsibility and is keen to support individuals and groups to practice their role in building a better society. Masraf Al Rayan is also keen on participating in public causes that are of concern to society, that involve protecting the environment, protection of natural resources, and avoiding damaging the environment. Masraf Al Rayan also supports healthy practices and supports sports, charity, and activities that benefit society and bolster national objectives.

Through 2015 Masraf Al Rayan has participated in supporting the Qatar Red Crescent charitable activities and those of the General Authority for Minors' Affairs. The Bank has also supported the sports activities of Al Jaish Club and Lakhwia Club, and has sponsored the Qatar Handball Team through the International Handball Federation, as well as the sponsoring of the basketball Amir's Cup. The Bank has also participated in the banks' football tournament coordinated by the QCB. On a humanitarian and health conscious front, the Bank has participated in Hamad Hospital's field blood donation drive (which has become an annual activity) as part of the support of the medical establishment's programs.

In support of future generations the Bank has also participated in sponsoring local, international, educational, and professional events, such as sponsoring an informative seminar for the Ministry of Labor and Social Affairs aimed at schools' students, as well as supporting independent studies via the Qatar Central Bank, and the participation in the sponsorship of commercial, financial, information security, economic, currencies, and trade conferences as well as events.

Dr. Hussain Ali Al Abdulla
Chairman and Managing Director

Business Overview

Vision

To become the leading Islamic bank within Qatar and the World, by offering a broad spectrum of Shari'a-compliant products and services, through efficient and reliable channels, to all sectors of the market in which it operates and to maintain its twin objectives of furnishing a high return on shareholder investment and satisfying its individual customers.

Mission

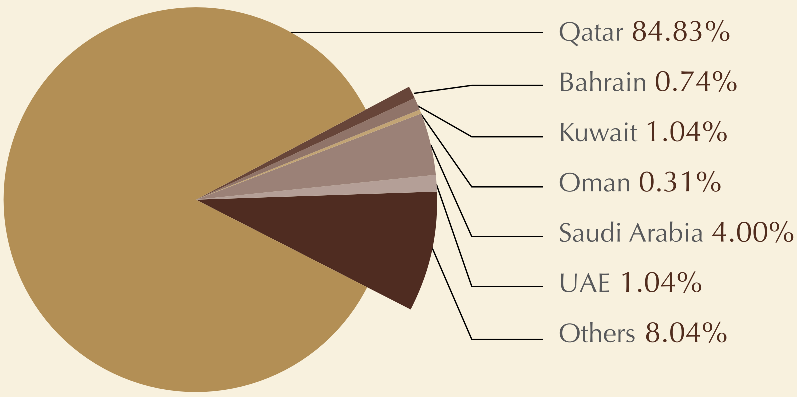
- To build a well-balanced financial institution across Retail, Wholesale, Advisory and Asset Management services.
- To provide market-leading financial services holding Shari'a principles at the heart of all activities.
- To build a solid and well recognized service delivery and brand distinction expertise.
- To become a market leader through expertise in financing, advisory services and international offerings.
- To build a strong franchise servicing both Islamic and conventional customers, first in the GCC and then beyond.
- To focus on product and service innovation delivered according to international standards.
- To maximize utilization of the large capital base and diverse shareholder ownership.

Strategy

- Connect the financial and real economies into one efficient capital allocation system
- Expand our commercial banking capabilities by increasing our footprint and penetrations through GCC, MENA and Europe.
- Develop new and innovative Shari'a-compliant products and services.
- Bridging Asia, Middle East and Europe in terms of trade and banking services.
- To prudently pursue an organic and acquisition based expansion strategy.
- To prudently use Masraf Al Rayan's large capital foundation and its diverse shareholders' rights.

A Summary of MAR Shareholders' Information on December 31, 2015

Nationality	Shareholders	No of Shares	Percentage
Bahrain	22,272	5,514,660	0.74%
Kuwait	23,900	7,771,170	1.04%
Oman	8,186	2,315,841	0.31%
Qatar	56,593	636,246,897	84.83%
Saudi	72,261	29,983,843	4.00%
UAE	24,935	7,812,108	1.04%
Others	3,244	60,355,481	8.04%
Totals	211,391	750,000,000	100.00%



Masraf Al Rayan Group Companies

Name	Type of Investment	Nature of Business	Country	Ownership
Al Rayan Investment (ARI)	Subsidiary	Investment Banking	Qatar	100%
Al Rayan Financial Brokerage	Subsidiary	Brokerage House	Qatar	100%
Al Rayan Partners	Subsidiary	Real Estate Project	Qatar	100%
Al Rayan Bank PLC.	Subsidiary	Banking	United Kingdom	98.35%
Ci-San Trading W.L.L.	Associate	Trading	Qatar	50%
Kirnaf Installment Co.	Associate	Installment Financing	Saudi Arabia	48%
Linc Facility Services	Associate	Facilities Management	Qatar	33%
Daman Insurance	Associate	Insurance	Qatar	20%
Oman National Mass Housing	Associate	Real Estate Investment	Oman	20%
Al Rayan (UK) Limited	Subsidiary	Holding Company	United Kingdom	100%

Masraf Al Rayan Business Lines, Products & Segments

A key banking player addressing all Shari'a-compliant needs

	Retail Banking	Private Banking	Wholesale Banking	Investment Banking	Treasury
Products	• ATM • Call Center • Personal Finance • Housing Finance • Auto Finance • Goods Finance • Tasheel Al Rayan • Credit Card • Current Account • Savings Account • Time Deposits	• Private Banking • Investment planning • Asset management • Wealth protection • Credit planning and management • Cash management • Business planning (for private business owners)	• Direct Finance - *Murabaha, Mudharaba, Ijara, Istisna'a, Tawarruq* • Trade Finance - *Letters of Credit, Murabaha L/C, PB, APG, Tender Bonds, Finance Guarantees* - *Cash Management* - *Syndicated financing* - *Import financing* - *Inventory financing* - *Transaction banking*	• Asset Management • Financial Advisory • Institutional Sales • Investments and • Underwriting • Financial Brokerage	• Forex • Money-market • Hedging • Sukuk • Equity
Customers	• Individuals	• High net worth individuals	• Corporates • Banks & financial institutions • Government/ Semi govt. • SMEs • High net worth individuals	• Non-Banks and FIs • Banks & financial institutions • Government/ Semi govt. • High net worth individuals	• Corporates • Banks & financial institutions • Government/ Semi govt. • Private Sector • High net worth individuals

Masraf Al Rayan Branch Network

- **Grand Hamad** - Grand Hamad Street - 4425 3333
- **Al Salam** - Al-Shafi Street, Next to Q-Tel , Al Rayyan area - 4425 3162
- **City Center** - City center – Doha , 1st floor - 4425 3171 / 4425 3177
- **Qatar University** - Qatar University, Female Building, Food Court Area - 4425 3187 / 4425 3193
- **Salwa** - Salwa Road, Next to Hyundai Showroom - 4425 3200 / 4425 3201
- **The Mall** - The Mall Complex, Gate Number 2 - 4425 3218
- **C Ring Road** - C Ring Road at the Financial Square - 4425 3243
- **Wathnan Mall** - Wathnan Mall, North Muaither- Street number 4425 3306
- **Al Wakra** - Al Wakra Main Road - 4425 3286, Fax: 4425 3280
- **Qatar Olympic Committee (QOC) Branch** - West Bay Area, Majlis Al-Taawon Street, Olympic Tower, Tel: 4425 3271, Fax 4425 3274
- **Al Sadd branch** - Al Sadd St/ Alongside to al Sadd Plaza - Al Bustan building - Tel: 4425 3135
- **BeIN Sports** - Al Cornish street - Al Dafna- Doha Tower - Tel: 4425 3458

Retail & Private Banking

The key drivers of our retail & private banking setup in 2015 was attributed to quality personalized service in branches and private banking, focus on value-based product packages, tactical campaigns, new retail finance parameters, policy development, e-banking initiatives, enhanced services and security measures in branch banking and alternative delivery channels.

During the year 2015 we accelerated our momentum and steadily moved towards our objective by creating value and making ourselves more accessible to our existing and prospective customers.

2015 witnessed the launch of our BeIN new branch, packaging & re-launch of our plush Al Saad branch, our ATM network reached 78 with a total of 3 dedicated ATMs to service customers with special needs. Additional features for utility payments were included. Customer choices were enhanced by expanding of automated, real-time deposit facilities on most of our ATM's thereby growing to 12 CDM (deposit) enabled ATM's.

In 2015, Masraf Al Rayan developed and facilitated successfully the Gulf Ware Housing right issues application process through all its channels to service its customers.

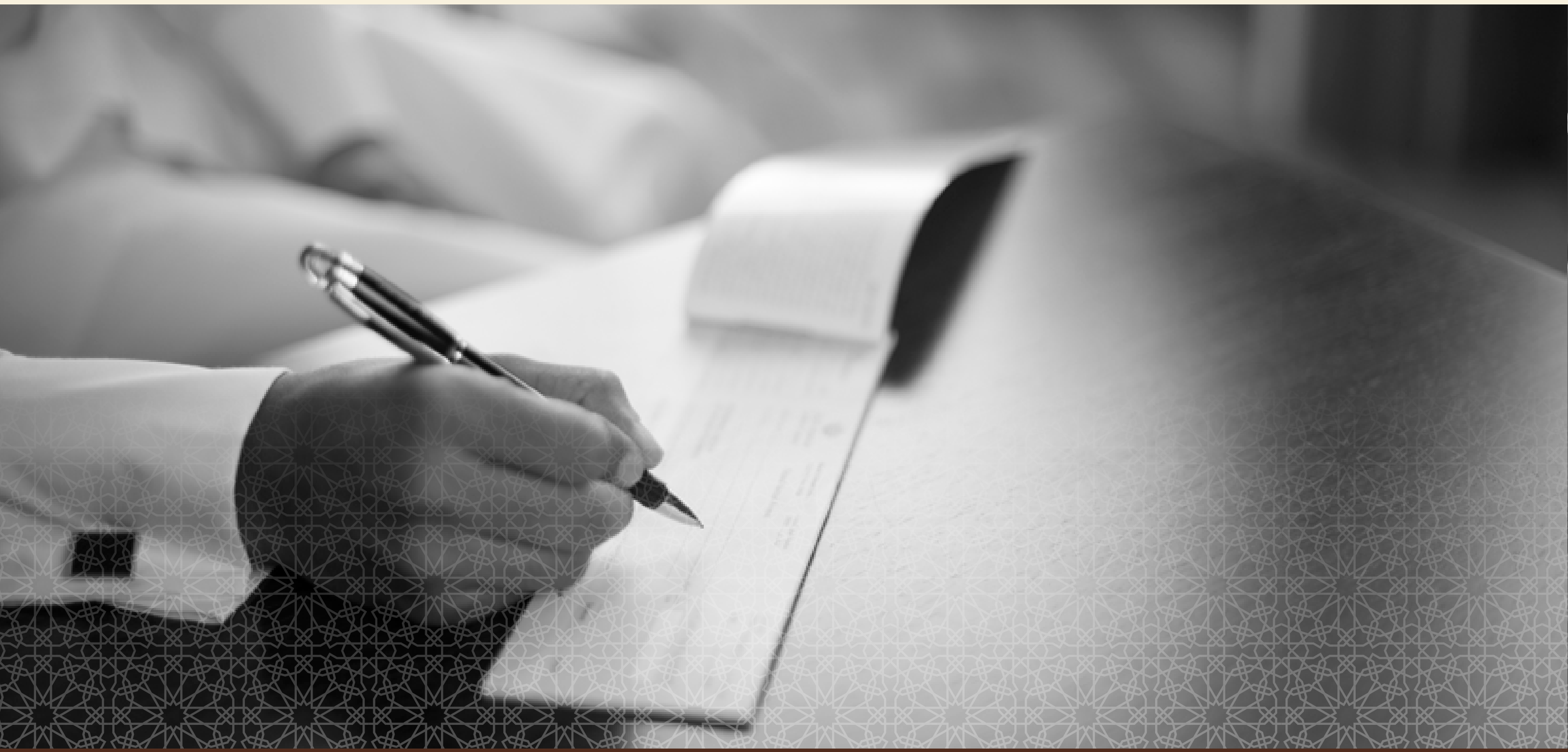
Throughout 2015 we continued to provide solutions via promotions and packages, in personal finance, vehicle finance and home finance covering Retail & Private banking customers; Ramadan, summer and winter campaign. We also moved closer to our target of ensuring that our customers enjoy the convenience of our '24x7 total banking'. In this regard, we expanded the scope of our e-banking services and undertook important improvements. E-Statement migration project (GREEN Campaign) through MAR branch(s) and call center was developed and launched successfully.

We, also, managed to provide the needed training at all our branches, private banking & call center to ensure that the risk-mitigants and service levels were ensured, as part of our long term human resource development strategy.

Since inception we have always inspired to be recognized as a trusted partner by our clientele. During 2015 the prime focus of our Private Banking Division continued to build sustainable and trustworthy relationships with our high net worth clients by offering them key advisory and consultancy services for all their investment and wealth management aspirations, resulted in most of our HNWI customers looking upon us as a trusted partner in their investment decisions.

During the year, Al Rayan Bank PLC, our UK subsidiary launched an exclusive high-end private banking branch on Knights Bridge, London, to cater to our elite customers.

In 2015, Masraf Al Rayan's brand achieved new heights in international visibility by being the proud sponsor of Qatar Exxon Mobil Open Tennis 2016 (ATP World Tour).



Wholesale Banking Group

We continued in 2015 to offer tailor made solutions to our clients and strategic partners, who are among the key players in contributing to the growth and development of the State of Qatar and the regional economies.

Masraf Al Rayan Transaction Banking and Cash Management products worked in 2015 to deliver to Masraf Al Rayan's customers ways to improve their day to day management of funds and visibility of information flows, consistency in terms of processing, and efficiency in terms of cost and automation. Our customers have become increasingly receptive to cash management models to enhance finance functions, increase transactional efficiency and improve profitability. They looked throughout 2015 to Masraf Al Rayan for compelling value propositions and be their one stop financial institution to provide broader array of services & products.

In 2015, we continued our strategy to ensure sustainable growth. We remained fully committed to finance government, quasi government and private sector business entities on their quest to support core infrastructure projects and other initiatives in various sectors of the State of Qatar's real economy, such as Transportation & Aviation, Health care, Telecom, Sports, Water and Electricity, Real Estate Trade, Financial Services, Energy, Petrochemical, Media, Manufacturing, and Contracting etc.

With our strong capital base and the support of our shareholders, we were able to successfully bid on and finance various mega infrastructure projects. We have collaborated with many of our top tier clients to finance projects such as the railway, highways and sport stadiums, in preparation for Qatar to host the 2022 world cup.

We continued to diversify our income base into various economic sectors working together with our treasury, investment, asset management, retail, private banking, and wealth management teams. It was by investing with the right expertise, we delivered a full range of both cross-border and local banking solutions in cash management, trade finance, foreign exchange, profit rate hedging, asset management, capital markets, Sukuk and structured finance, securitization, corporate finance & Equity advisory, placement and acquisition financing solutions.

Going forward, as always, we are planning to be highly vigilant and conscious of the risks we take with our clients to mitigate them to build sustainable value for all our stakeholders.

Service Quality

During 2015, the Service Quality Department continued on its quest to enhance the customer experience and satisfaction across all channels and departments. In line with Masraf Al Rayan's strategy, mission, and objectives, the Service Quality department continued to develop several innovative indicators to ensure achieving and sustaining customer service excellence.

In 2015, the department worked to re-engineer sets of new processes to better measure, continuously improve and monitor the Voice of Customer (VOC) method, by continuously executing and collecting data from monthly mystery shoppers, customer satisfaction surveys, branch evaluation visits and calls evaluation. Also enhancements were done to better the Customer Management System (CMS) to capture and manage customers complaints, requests, disputes, leads and suggestions.

In addition, the Service Quality Department extended its "Improvement Program" to other departments to improve the Voice of Business Program (VOB). The "Improvement Program" included the development of End-to-End Standard Operating Procedures (SOPs) along with Service Level Agreements (SLAs), Turnaround Time (TAT), User Manuals and Process Flow Maps in most of departments of the Bank.

Throughout 2015, we continued to work towards extending the Customer Relationship Management system (CRM) to other departments within the Group, to improve the customer requests life cycle with automation capabilities to increase the process efficiency and effectiveness.

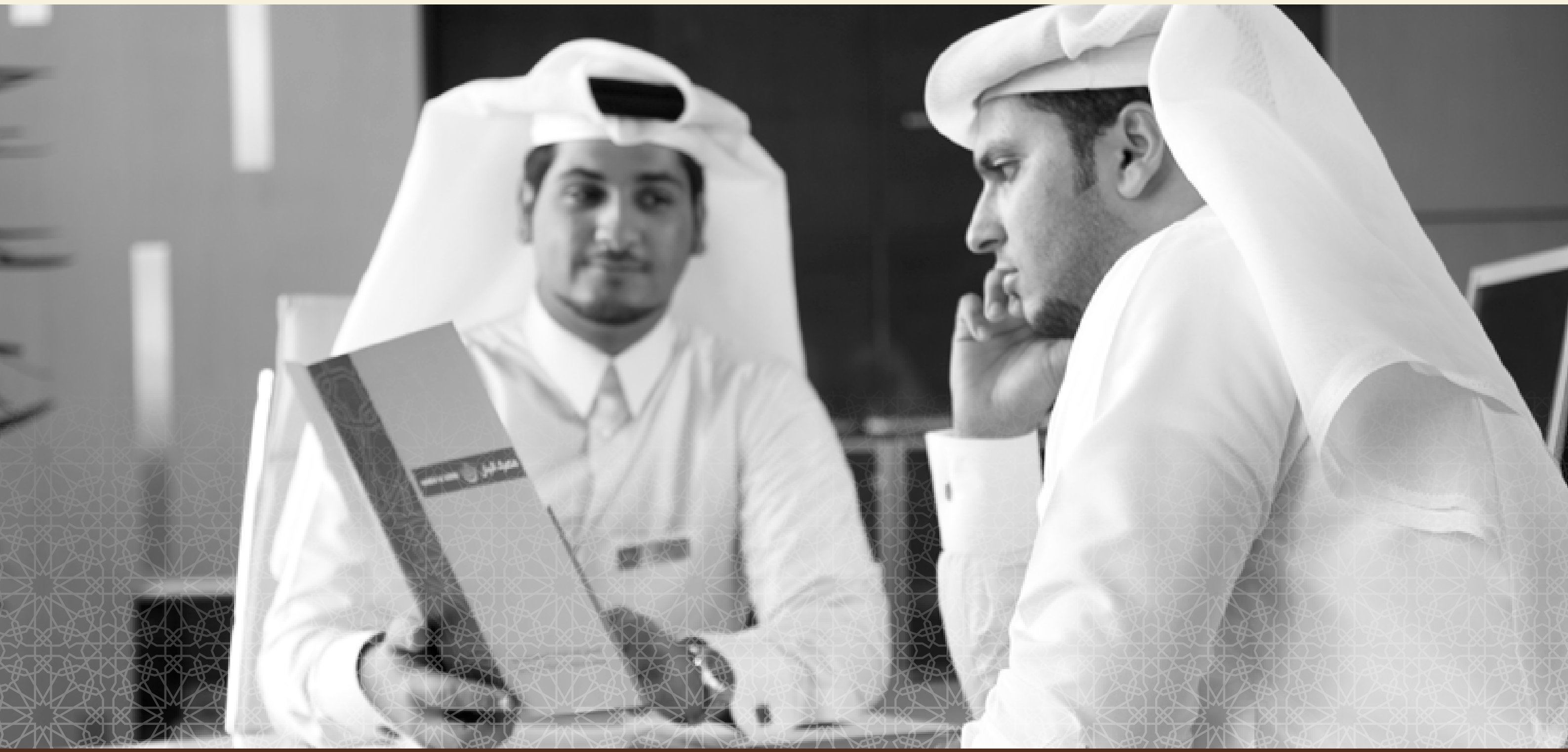
The Service Quality Department will continue in 2016 and the coming years to seek better business solutions through adopting innovative plans to improve the overall customer satisfaction experience

Mission

To provide the highest quality of customer service standards, enhance customer experience across all touch points and build long term relationships with customers

Objectives

- To meet the expected perceived needs of our customers and direct the bank towards a "Customer Focus Strategy".
- Ensure customer satisfaction and improve process efficiency & effectiveness across all customer touch points by ensuring high Service Standards, Standard Operating Procedures, Service Level Agreements and Automation.
- Standardization of customer communication in all channels to meet the expected perceived needs of our customers
- Coaching staff on Service Quality related standards, initiatives and improvements to meet customer expectations.
- Continuously monitor, analyze, report and train on Service Quality related issues to improve customer experience across Masraf Al Rayan.



Human Resources

Throughout 2015, the Human Resources Department sustained its utmost attention to systematically implement the strategy set by the Board of Directors and the Executive Management on human capital. Several advancement packages and reward projects based on International standards were implemented.

We continued during 2015 to work attentively with the Ministry of Labor and the leading institutions of higher learning in Qatar, as the bank participated in many career fairs; among them Qatar Foundation, Qatar University and Collage of North Atlantic.

New sets of training programs were developed and introduced with high concentration on job-related training needs and technical training, including risk & compliance programs and soft managerial skills.

In 2015 our employees have attended a total of 11,324 training hours, with an increase of 44.5% compared to 2014. Qatari employees received 2,982 training hours with an increase of 45.7% compared to 2014.

In 2015, a professional-training solution system (Video-System) was introduced to save time spent in organizing, logistics and trainers' needs. Additionally, the department has conducted a professional certification program; CRCMP (Certified Risk and Compliance Management Professional). The program was attended by 17 employees mostly from Operation Risk and the Compliance departments.

Masraf Al Rayan has a long and proud tradition of corporate social responsibility, taking very seriously the many roles it plays within the society. The Human Resources department continued in 2015 to build goodwill consistent with the values that the bank advocates. One of the social responsibility activities that has become a yearly tradition for our staff is blood donation campaign conducted in collaboration with Hamad Medical Corporation.

The department continued its tradition in 2015 of recognizing long serving employees by holding the annual honorary dinner to celebrate their long standing relationship and dedication to the bank, in which 32 staff were rewarded.

Subsidiary
Al Rayan Investment LLC

Vision
To become the region's leading Shari'a-compliant investment bank

Mission
Invest in developing a wide product suite that caters to the growing demand for Islamic Finance products

Values
Invest in people to nurture an environment fostering teamwork to achieve excellence

Ethos
Adhering to Islamic ethico-legal principles in all aspects of our business

Divisions
- Asset Management Group
- Financial Advisory Group
- Strategic Investments

During 2015, we continued the momentum achieved in, 2012, 2013 & 2014 and made further progress towards establishing ourselves as a trustworthy and reliable investment partner of the Qatari economy.

We made significant progress in linking the real economy with Islamic finance and were instrumental in establishing an investment-banking platform in the Qatari and the GCC markets with growth in both our Asset Management and Advisory business.

Asset Management Group
2015 was a challenging year for the regional investment industry but again Al Rayan Investment's portfolios performed ahead of markets. Our investment focus continues to be Shari'a-compliant GCC equities and sukuk. We remain committed to attracting high net worth and institutional investors from within the region and globally.

2015 saw a further increase in institutional mandates for ARI, these were won from Qatari and Asian investors. In several cases these were existing investors further expanding their investment partnership with ARI.

ARI manages Masraf Al Rayan's flagship Al Rayan GCC Fund, which remains the largest mutual fund based in Qatar; the fund returned a positive 24% in the three years to December 2015 versus the GCC market down 9%.

Our investment approach and robust processes, combined with dynamic risk management and market beating returns have resulted in further external recognition. In 2015, ARI was awarded four accolades: 'Best Islamic Asset Management Company in the Middle East' by Islamic Financial News; 'Qatar Asset Manager of the year' by MENA Fund Manager magazine; 'Qatar Equities Manager of the Year' by Global Investor/ISF magazine; and 'Best asset manager for corporates – 2015' by Global Finance magazine.

Financial Advisory Group
During 2015, we actively focused on deal origination and building a healthy pipeline of capital raising, corporate restructuring and M&A mandates. These mandates are underpinned by our clients' strategic objectives of diversifying funding options, raising capital for business growth and improving efficiencies and profitability amidst a challenging macro-economic environment. As part of our origination efforts, we also sought to diversify our client base across family owned businesses, publicly listed entities, private corporations and the government sector entities.

Shari'a Supervisory Board Report

for the period ended on 31 December, 2015

All praise be to Allah, and His peace and blessings be upon His prophet, his family, his companions and those who followed him.

Masraf Al Rayan Shari'a Supervisory Board has reviewed the products and operational activities presented to it as well as the 2015 Balance Sheet and Income Statements and are of the opinion that the latter do not contravene with Shari'a rulings.

The Board also supervised Masraf Al Rayan operations which provided reasonable assurance of the proper implementation of its pronouncements, and is of the opinion that they are in compliance with the Board's regulations.

May Allah grant success and accomplishment to all towards whatever he likes and pleases Him.

His Eminence
Sheikh Dr. Waleed Bin Hadi
Chairman of Shari'a Supervisory Board

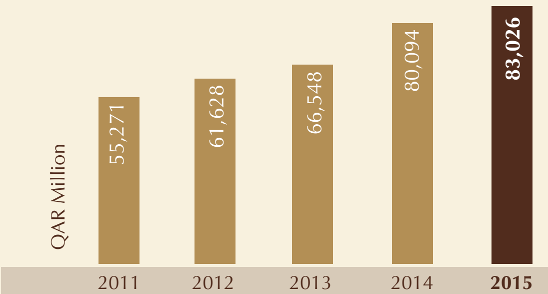
His Eminence
Sheikh Dr. Mohamed Ahmeen
Shari'a Supervisory Board Member

His Eminence
Sheikh Dr. Abdul Sattar Abu Ghuddah
Shari'a Supervisory Board Member

Summary of Financial Statements

As at 31 December 2015

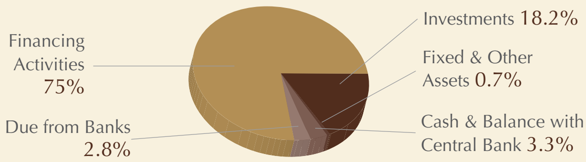
Total Assets



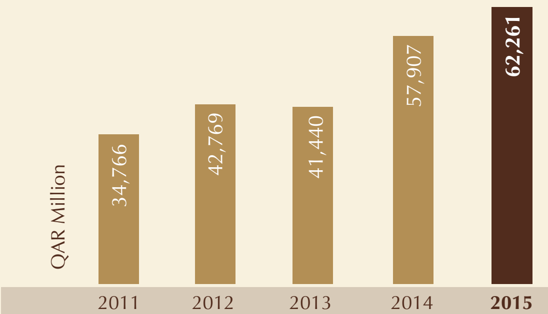
Highlights

5 Years Compound Annual Growth Rate (CAGR)	**10.71%**
Growth For The Year	**3.66%**
Capital Adequacy Ratio - Per Basel 3	**18.54%**
Return on Assets	**2.50%**

Weight of Asset Categories



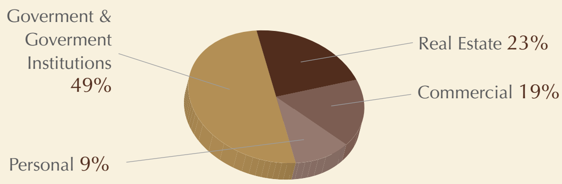
Financing Activities



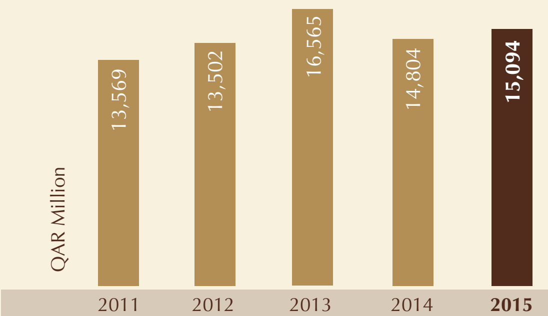
Highlights

5 Years Compound Annual Growth Rate (CAGR)	**15.68%**
Growth for the Year	**7.52%**
Non Performing Loans Ratio (NPL)	**0.09%**

Breakdown by Sectors



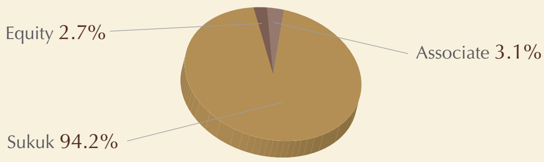
Investments



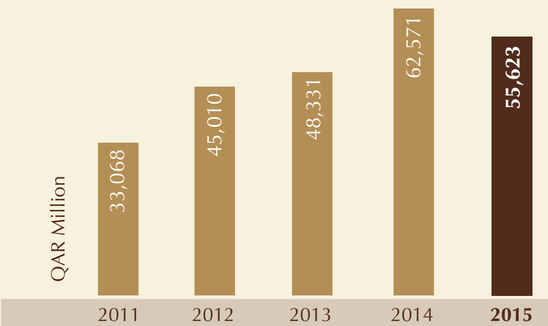
Highlights

5 Years Compound Annual Growth Rate (CAGR)	**2.7%**
Growth for the Year	**1.96%**
Sovereign Sukuk	**84.89%**

Breakdown of Investments by Type



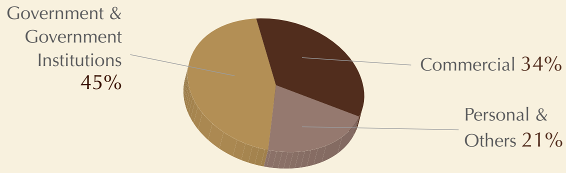
Customer's Deposits



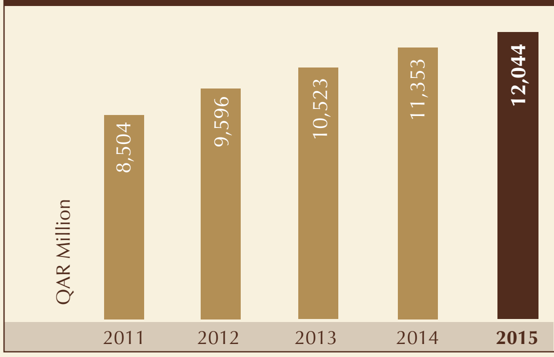
Highlights

5 Years Compound Annual Growth Rate (CAGR)	**13.9%**
Growth for the Year	**-11.1%**

Breakdown of Customers' Deposits by Sector

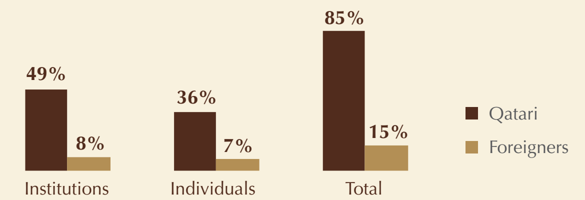


Equity Pre Appropriation

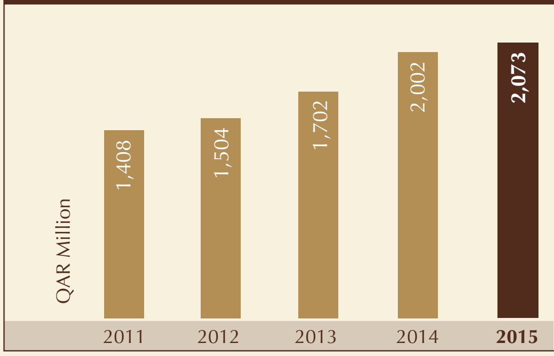


Highlights

5 Years Compound Annual Growth Rate (CAGR)	**9.09%**
Growth for the Year	**6.1%**
Book Value per Share	**QAR 16.06**
Return on Equity	**17.2%**



Net Profit

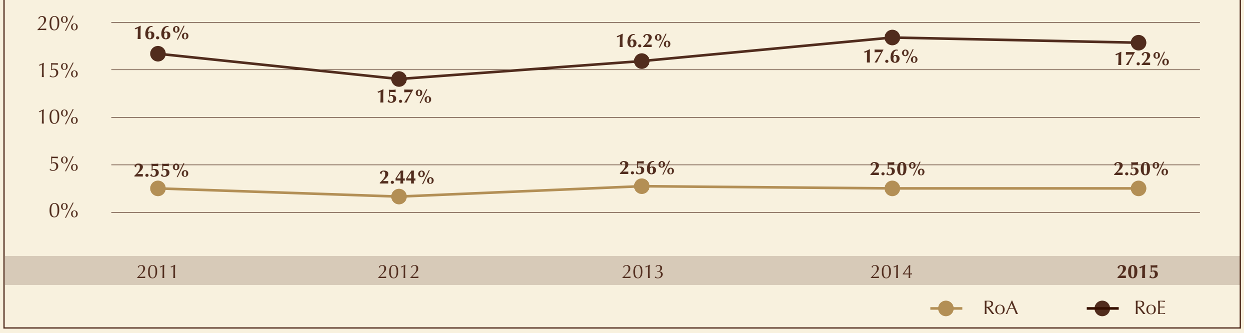


Highlights

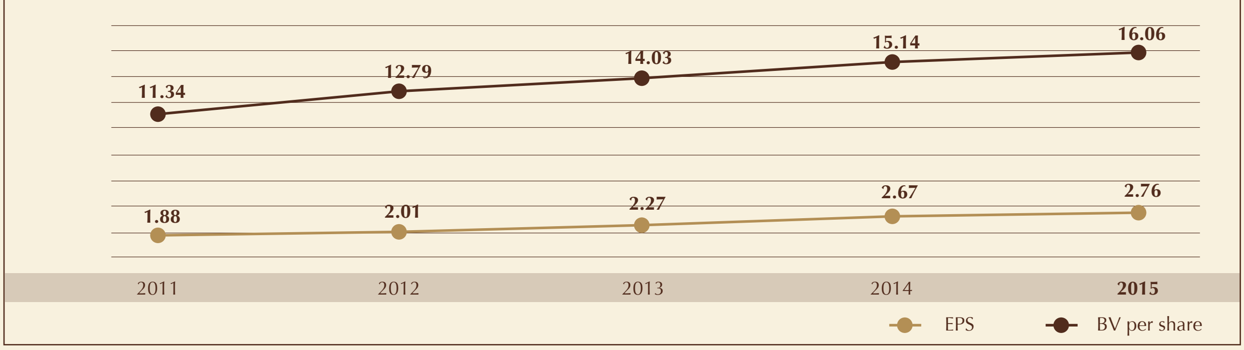
5 Years Compound Annual Growth Rate (CAGR)	**10.2%**
Growth For The Year	**3.6%**
Earnings Per Share	**QAR 2.764**
Operating Income To Operating Expenses Ratios	**22.10%**

	2015	2014
Operating Income	**100.0%**	100.0%
General & Administrative expenses	**(15.8)%**	(15.6)%
Impairment losses	**(1.4)%**	(0.4)%
Minority Interest	**1.4%**	(0.5)%
Profit for Accounts & Equity holders	**84.2%**	83.5%
Profit Share - customers & banks	**(26.2)%**	(22.1)%
Share of profit to Equity holders of the Bank	**58.0%**	61.4%

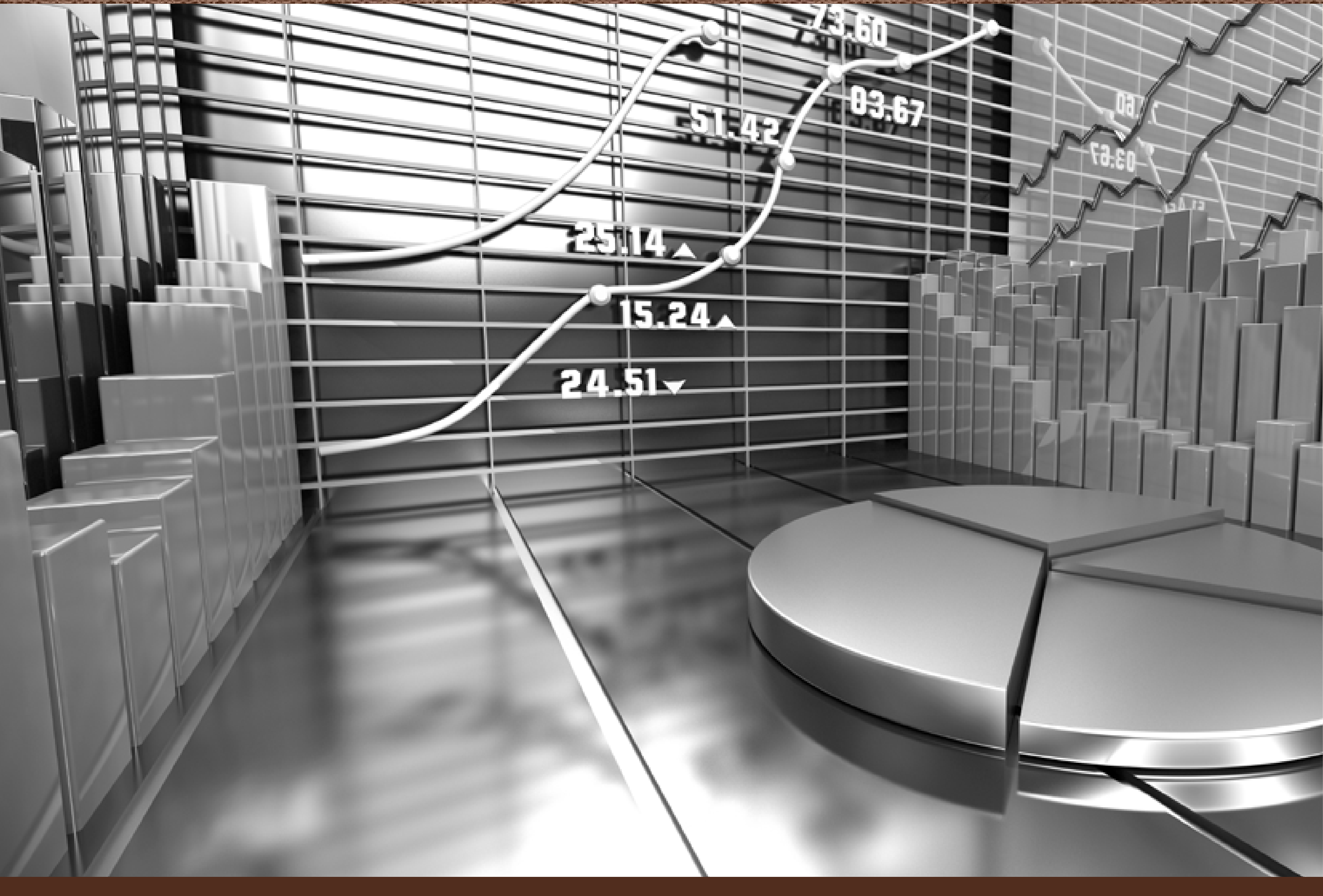
Profitability Ratios



Book Value and EPS



Financial Statements



Independent Auditors' Report to the Shareholders of Masraf Al Rayan (Q.S.C.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Masraf Al Rayan Q.S.C (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement and consolidated statements of changes in owners' equity, cash flows and restricted investment account for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Respective responsibilities of the Board of Directors and Auditors

These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2015, and the results of its operations, changes in owners' equity, cash flows and changes in restricted investment account for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and the applicable provisions of Qatar Central Bank regulations.

Report on other legal and regulatory matters

We have obtained all the information and explanations we considered necessary for the purpose of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the applicable provisions of Qatar Central Bank Law No. 13 of 2012, Qatar Commercial Law No. 11 of 2015 or the terms of Articles of Association during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position as at 31 December 2015.

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

18 January 2016
Doha
State of Qatar

Consolidated Statement of Financial Position

As at 31 December

QAR '000s

	Notes	2015	2014
ASSETS			
Cash and balances with Qatar Central Bank	8	2,736,915	3,311,311
Due from banks	9	2,376,269	3,602,772
Financing assets	10	62,261,455	57,906,940
Investment securities	11	14,624,801	14,288,311
Investment in associates	12	469,052	423,998
Investment property	13	–	91,250
Fixed assets	14	147,482	119,236
Other assets	15	410,255	350,450
TOTAL ASSETS		83,026,229	80,094,268
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Due to banks	16	13,344,591	4,560,293
Customer current accounts	17	6,183,762	4,878,252
Other liabilities	18	1,700,149	1,242,922
TOTAL LIABILITIES		21,228,502	10,681,467
EQUITY OF INVESTMENT ACCOUNT HOLDERS	19	49,439,504	57,692,301
EQUITY			
Share capital	20	7,500,000	7,500,000
Legal reserve	20	1,447,869	1,033,195
Risk reserve	20	1,136,540	1,008,646
Fair value reserves	20	12,590	28,805
Foreign currency translation reserve	20	(1,479)	63
Other reserves	20	80,468	41,165
Retained earnings		1,867,805	1,740,641
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		12,043,793	11,352,515
Non-controlling interests	21	314,430	367,985
TOTAL EQUITY		12,358,223	11,720,500
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		83,026,229	80,094,268

These consolidated financial statements were approved by the Board of Directors on 18 January 2016 and were signed on its behalf by:

Dr. Hussain Ali Al Abdulla
Chairman and Managing Director

Adel Mustafawi
Group Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements

Consolidated Income Statement

For the year ended 31 December

QAR '000s

	Notes	2015	2014
Net income from financing activities	22	2,333,464	2,101,135
Net income from investing activities	23	408,612	470,947
Total net income from financing and investing activities		2,742,076	2,572,082
Fee and commission income		239,671	217,117
Fee and commission expense		(1,418)	(1,522)
Net fee and commission income	24	238,253	215,595
Foreign exchange gain	25	107,878	86,751
Share of results of associates	12	55,648	9,613
Gain on sale of investment in an associate	12	186,143	186,143
Other income	26	6,793	7,435
TOTAL INCOME		3,336,791	3,077,619
Staff costs	27	(291,904)	(262,790)
Depreciation	14	(15,472)	(16,112)
Other expenses	28	(244,813)	(199,990)
Finance expense		(118,205)	(55,044)
TOTAL EXPENSES		(670,394)	(533,936)
Net recoveries and reversals / (impairment losses) on financing assets	10(b)	567	(12,394)
Net impairment losses on investment securities	11	(47,344)	(508)
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		2,619,620	2,530,781
Less: Return to investment account holders	19(c)	(618,625)	(511,474)
PROFIT BEFORE TAX FOR THE YEAR		2,000,995	2,019,307
Tax credit / (expense)		25,142	(2,116)
NET PROFIT FOR THE YEAR		2,026,137	2,017,191
Net profit for the year attributable to:			
Equity holders of the Bank		2,073,369	2,002,243
Non-controlling interests		(47,232)	14,948
		2,026,137	2,017,191
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	32	2.764	2.670

The attached notes 1 to 39 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December

QAR '000s

	Share capital	Legal reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2015	7,500,000	1,033,195	1,008,646	28,805	63	41,165	1,740,641	11,352,515	367,985	11,720,500
Change in foreign currency translation reserve	–	–	–	–	(67,392)	–	–	(67,392)	–	(67,392)
Net gain on hedging of net investment in a foreign subsidiary	–	–	–	–	65,850	–	–	65,850	–	65,850
Fair value reserve movement (Note 11)	–	–	–	(16,215)	–	–	–	(16,215)	–	(16,215)
Profit for the year	–	–	–	–	–	–	2,073,369	2,073,369	(47,232)	2,026,137
Dividend declared and approved for 2014	–	–	–	–	–	–	(1,312,500)	(1,312,500)	–	(1,312,500)
Transfer to legal reserve	–	414,674	–	–	–	–	(414,674)	–	–	–
Transfer to risk reserve	–	–	127,894	–	–	–	(127,894)	–	–	–
Net movement in other reserves	–	–	–	–	–	39,303	(39,303)	–	–	–
Social and sports fund appropriation (Note 38)	–	–	–	–	–	–	(51,834)	(51,834)	–	(51,834)
Net movement in non-controlling interests	–	–	–	–	–	–	–	–	(6,323)	(6,323)
Balance at 31 December 2015	7,500,000	1,447,869	1,136,540	12,590	(1,479)	80,468	1,867,805	12,043,793	314,430	12,358,223
Balance at 1 January 2014	7,500,000	632,746	875,414	26,888	–	26,809	1,461,491	10,523,348	181,049	10,704,397
Change in foreign currency translation reserve	–	–	–	–	(38,757)	–	–	(38,757)	–	(38,757)
Net gain on hedging of net investment in a foreign subsidiary	–	–	–	–	38,820	–	–	38,820	–	38,820
Fair value reserve movement (Note 11)	–	–	–	1,917	–	–	–	1,917	–	1,917
Profit for the year	–	–	–	–	–	–	2,002,243	2,002,243	14,948	2,017,191
Dividend declared and approved for 2013	–	–	–	–	–	–	(1,125,000)	(1,125,000)	–	(1,125,000)
Transfer to legal reserve	–	400,449	–	–	–	–	(400,449)	–	–	–
Transfer to risk reserve	–	–	133,232	–	–	–	(133,232)	–	–	–
Transfer to other reserves	–	–	–	–	–	14,356	(14,356)	–	–	–
Social and sports fund appropriation (Note 38)	–	–	–	–	–	–	(50,056)	(50,056)	–	(50,056)
Net movement in non-controlling interests	–	–	–	–	–	–	–	–	171,988	171,988
Balance at 31 December 2014	7,500,000	1,033,195	1,008,646	28,805	63	41,165	1,740,641	11,352,515	367,985	11,720,500

The attached notes 1 to 39 form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December

QAR '000s

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		2,000,995	2,019,307
Adjustments for:			
Net (recoveries) / impairment losses on financing assets		(567)	12,394
Net impairment losses on investment securities		47,344	508
Fair value loss / (gain) on investment securities carried as fair value through income statement		59,775	(3,576)
Depreciation	14	15,472	16,112
Net gain on sale of investment securities		(17,465)	(26,242)
Dividend income	23	(23,872)	(20,141)
Share of results of associates	12	(55,648)	(9,613)
Gain on sale of investment in an associate		(186,143)	(186,143)
Gain on sale of investment property		(1,661)	–
Loss on sale of fixed assets		40	–
Amortisation of premium and discount on investment securities		(1,328)	(2,745)
Employees' end of service benefit provisions		7,386	7,462
Profit before changes in operating assets and liabilities		1,844,328	1,807,323
Change in reserve account with Qatar Central Bank		417,361	(478,216)
Change in financing assets		(4,355,153)	(14,980,600)
Change in other assets		(59,805)	304,083
Change in due to banks		8,784,298	(2,204,774)
Change in customer current accounts		1,305,510	1,116,401
Change in other liabilities		291,280	13,778
		8,227,819	(14,422,005)
Dividend received		23,872	20,141
Employees' end of service benefits paid		(2,207)	(1,884)
Tax paid		(1,337)	(451)
Net cash from / (used in) operating activities		8,248,147	(14,404,199)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(5,212,104)	(17,917,763)
Proceeds from sale / redemption of investment securities		4,928,566	20,335,642
Acquisition of fixed assets	14	(43,772)	(77,888)
Dividend received from an associate	12	9,429	5,408
Investment in a subsidiary		–	(140,339)
Proceeds from sale of investment property		92,911	–
Net cash (used in) / from investing activities		(224,970)	2,205,060
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		(8,252,115)	10,734,490
Dividends paid		(1,177,087)	(998,797)
Net movement in non-controlling interest		(6,323)	164,634
Net cash (used in) / from financing activities		(9,435,525)	9,900,327
Net decrease in cash and cash equivalents		(1,412,348)	(2,298,812)
Cash and cash equivalents at 1 January		4,162,549	5,571,863
Cash acquired from business combination	33	–	889,435
Effects of exchange rate changes on cash and cash equivalents held		28,810	63
Cash and cash equivalents at 31 December	33	2,779,011	4,162,549

The attached notes 1 to 39 form an integral part of these consolidated financial statements

Consolidated Statement of Changes in Restricted Investment Accounts

For the year ended 31 December

QAR '000s

	At 1 January 2015			Movements during the year			At 31 December 2015		
	No. of Units	Value per unit in QAR	Total value	Gross income	Profit paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total value
Wakil and Muakil	–	–	–	–	–	–	–	–	–

	At 1 January 2014			Movements during the year			At 31 December 2014		
	No. of Units	Value per unit in QAR	Total value	Gross income	Profit paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total value
Wakil and Muakil	1	2,518,381	2,518,381	157,399	(146,906)	10,493	–	–	–

The attached notes 1 to 39 form an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

1. REPORTING ENTITY

Masraf Al Rayan (Q.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Qatar Commercial Companies' Law No. 11 of 2015, under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Grand Hamad Steet, Doha, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2015 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing, investing and brokerage activities, and has 13 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan.

The principal subsidiaries of the Group are as follows:

Entity's name	Country of incorporation	Entity's capital	Entity's activities	Effective percentage of ownership	
				2015	2014
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan GCC Fund (F)	Qatar	Not applicable	Investment activities	55.4%	48.6%
Al Rayan GCC Fund (Q)	Qatar	Not applicable	Investment activities	16.5%**	16.6%
Al Rayan (UK) Limited	UK	GBP 100,000,000	Investment activities	100.0%	100.0%
Al Rayan Partners	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Al Rayan Bank (formerly known as Islamic Bank of Britain PLC)*	UK	GBP 121,218,700	Islamic Banking	98.34%	98.34%

* Subsidiary of Al Rayan (UK) Limited

** Open-ended fund (The Bank consolidates Al Rayan GCC Fund (Q) even though the holding is less than 50% as it has power to govern the financial and operating policies of the Fund with the objective of obtaining benefits from its operations)

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and relevant laws and the applicable provisions of Qatar Central Bank ("QCB"). For matters for which no AAOIFI standards exist, the Group applies the relevant International Financial Reporting Standards ("IFRSs").

b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of financial investments classified as "investments at fair value through equity", "investments at fair value through income statement" and derivative financial instruments.

c) Functional and presentational currency

The consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a) Basis of consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has power, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect those returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

ii) Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- The Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incidental to the activities of the SPE;
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

iii) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognized in the consolidated income statement. If the Group retains any interests in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

iv) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profits or losses attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in owners' equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in owners' equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to consolidated income statement where appropriate.

v) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Basis of consolidation (continued)

vi) Associates and joint arrangements (equity-accounted investees)

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The financial statements include the Bank's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Bank, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Bank's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Bank's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

vii) Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial results of these entities are included in these consolidated financial statements when the Group has power to govern the financial and operating policies of the Fund with the objective of obtaining benefits from its operations.

b) Foreign currency

i) Foreign currency transactions and balances

Foreign currency transactions are 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 transaction dates.

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

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

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Foreign currency (continued)

ii) 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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity.

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in owners' equity, and presented in the foreign exchange translation reserve in owners' equity.

c) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

i) Classification

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Debt-type instruments

Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through income statement.

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis, can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment securities (continued)

i) Classification (continued)

Equity-type instruments

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Bank makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated income statement.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated income statement in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amoritisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in owners' equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated income statement.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Investment securities (continued)

iv) 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 capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

d) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Bank arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB instructions, the Bank applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and does not enter into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Mudaraba

Mudaraba financing are partnerships in which the Bank contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Musharaka

Musharaka financing are partnerships in which the Bank contributes the capital. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financing assets (continued)

Istisna'a

Istisna'a is a sales contract in which the Bank acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Istisna'a revenue is the total price agreed between the seller and purchaser including the Bank's profit margin. The Bank recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Bank's estimated cost. The Bank's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment. The Bank initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

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

e) Other financial assets and liabilities

i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

ii) De-recognition of financial assets and financial liabilities

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Other financial assets and liabilities (continued)

ii) De-recognition of financial assets and financial liabilities (continued)

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its consolidated 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.

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.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is de-recognised if it meets the de-recognition 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 de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

f) Impairment of financial assets

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty 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 counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Impairment of financial assets (continued)

Equity-type investments classified as fair value through equity
In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity-type investments are subsequently reversed through equity.

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost)
For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated income statement and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated income statement, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

g) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with QCB 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.

h) Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both.

Investment property is measured at cost including transaction costs. Transaction costs include transfer taxes, professional fees or legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated income statement in the year of retirement or disposal.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Investment property (continued)

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

i) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's risk management instruments include forward exchange contracts and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, risk management instruments are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models, as appropriate. The resulting gains or losses are included in the consolidated income statement, except for forward contracts which are designated as the hedging instrument in a hedge of a net investment in a foreign operation.

j) Fixed assets

Recognition and initial measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in consolidated income statement.

Depreciation is recognised in consolidated income statement on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this 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. Land and work-in-progress are not depreciated.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

Buildings	20 years
Leasehold improvements	10 years
Furniture, fixtures and office equipment	6-7 years
Computer equipment	3 years

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment of non-financial assets

The carrying amounts of the Group's non-financial 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 recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

l) Customer current accounts

Balances in customer current accounts are recognised when received by the Bank. The transactions are measured as the amount received by the Bank at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

m) Equity of investment account holders

Equity of investment account holders are funds held by the Bank, which it can invest at its own discretion. The investment account holders authorises the Bank to invest the account holders' funds in a manner which the Bank deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Bank charges a management fee to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Bank's share of income. The allocation of income is determined by the management of the Bank within the allowed profit sharing limits as per the terms and conditions of the investment accounts.

Investment accounts are carried at their book values and include amounts retained towards the profit equalisation and investment risk reserves. The profit equalisation reserve is the amount appropriated by the Bank out of the Mudaraba income, before allocating the Mudarib's share, in order to maintain a certain level of return to the account holders on the investments. The investment risk reserve is the amount appropriated by the Bank out of the income of investment account holders, after allocating the Mudarib's share, in order to cater against future losses for investment account holders.

n) Distribution of profit between equity of investment account holders and shareholders

The Bank complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and owners.
- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Bank's agreed and declared Mudaraba profit.
- In case of any expense or loss, which arises out of negligence on the part of the Bank due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Bank at the year-end are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of investment funds with the Bank's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Restricted investment accounts

Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Bank as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Bank in the consolidated financial statements.

p) Provisions

Provision is recognised if, as a result of a past event, the Bank 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.

q) Employees benefits

Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the personnel cost under general and administration expenses in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Group also provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other provisions under other liabilities.

r) Share capital and reserves

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's owners.

s) Revenue recognition

Murabaha

Profit from Murabaha transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated income statement.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated income statement on declaration by the Mudarib.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Revenue recognition (continued)

Musharaka
Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara
Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated income statement.

Istisna'a
Revenue and the associated profit margin are recognised in the Bank's consolidated income statement according to the percentage of completion method or completed contract method.

Wakala
Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from investment banking services
Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income
Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

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

t) Income tax

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group's operations inside Qatar are not subject to tax, except Al Rayan Investment whose profits are subject to tax as per Qatar Financial Center Authority regulations.

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.

u) Earnings per share

The Bank 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 owners of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Placements with banks and other financial institutions

Placements with banks and other financial institutions are stated at amortised cost net of any amounts written off and allowance for impairment.

w) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the consolidated statement of financial position date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated income statement. The amortisation of the premium received is recognized in the consolidated income statement under commission and fees income.

x) Contingent liabilities

Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these derivative financial instruments.

y) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

z) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

aa) Earnings prohibited by Shari'a

The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities.

bb) Comparatives

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

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

cc) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2015:
The following amendments, which became effective as of 1 January 2015, are relevant to the Group:

Financial Accounting Standard No. 23 (FAS 23) Consolidation
During the period, the Accounting and Auditing Standards for Islamic Financial Institutions (AAOIFI) issued amendments to FAS 23 which are effective from 1 January 2015. These amendments provide clarification and expand the scenarios for assessing control when an entity holds less than majority voting rights in an investee. In particular, the concept of de-facto control has been introduced. The amendment clarifies that where the IFI has less than majority voting rights in an investee, control may also exist through:

a) agreement with the entity's other shareholders or the entity itself;
b) rights arising from other contractual arrangements;
c) the IFI's voting rights (de facto power);
d) potential voting rights; or
e) a combination thereof.

Further, expanded guidance has been provided to assess whether the Group's decision-making rights over an investee would be considered as those of a principal (primarily for its own benefit) and when it would be considered to be that of an agent (primarily for benefit of its investors).

In accordance with the amendments to FAS 23, the Group reassessed its control conclusions as of 1 January 2015. The Group has reassessed its investments considering the new control definition criteria and based on the assessment, management had concluded that the Group would continue to control the investees (Note 1). The conclusion is based on the assessment that the Group, in addition to its power over relevant activities, continues to have significant variability from its involvement with the investee.

Except for continuing consolidation of investees (Note 1), there were no changes to the entities that were controlled and consolidated by the Group as of 31 December 2014. Accordingly, adoption of the new amendments did not have a significant impact on the condensed consolidated interim financial statements or the amounts reported in the comparative periods.

New standards, amendments and interpretations issued but not yet effective:

AAOIFI has issued a new accounting standard on investment accounts – Financial Accounting Standard No. 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI's previous accounting standards relating to investment accounts – FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent.

This standard applies to investment accounts based on Mudaraba contracts which represent "equity of investment account holders and on Mudaraba contracts that are placed on "short-term basis" (overnight, seven days, one month basis) by other financial institutions as "interbank-bank deposits" for the purpose of liquidity management. However, it is not applicable to own equity instruments, wakala contracts, reverse murabaha, musharaka or sukuk.

FAS 27 is effective for annual reporting periods beginning on or after 1 January 2016, with early adoption permitted.

The Group is currently assessing the impact of this standard for future periods.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

Risk management and structure

Introduction

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. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, market risk, liquidity risk and operating risk, which include 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.

Board of Directors

The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function

The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

Assets and liabilities

The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

Internal audit

Risk management processes throughout the Bank are audited annually by the Internal Audit Department that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Information compiled from all business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, risk unit, and the head of each business division.

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

4.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Notes to the Consolidated Financial Statements

At 31 December 2015

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends 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 collaterals obtained are as follows:

- For securities lending: cash or securities.
- For commercial lending: mortgages over real estate properties, inventory, cash or securities.
- For retail lending: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

The Group also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 10. Also the details of geographical segments are set out in Note 30.

4.2.1 Credit risk measurement

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is 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, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk type activities and the module makes use of probabilities derived from historical experience adjusted to reflect the economic environment.

4.2.2 Risk limit control and mitigation policies

Risk mitigation

As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

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At 31 December 2015

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	2015	2014
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Cash and balances with QCB (excluding cash on hand)	2,412,808	2,995,326
Due from banks	2,376,269	3,602,772
Financing assets	62,261,455	57,906,940
Investment securities - debt	14,213,644	13,693,612
Other assets	259,555	246,392
	81,523,731	78,445,042
Other credit risk exposures are as follows:		
Guarantees	17,103,678	12,984,353
Letters of credit	7,630,914	8,662,418
Unutilized credit facilities	15,420,295	20,771,239
	40,154,887	42,418,010

The above tables represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the consolidated statement of financial position, the exposures set out above are based on net carrying amounts as reported on the consolidated statement of financial position.

4.2.4 Concentration of risks of financial assets with credit risk exposure

a) By Geographical Sector

	Qatar	Other GCC	Other Middle East	Others	Total
2015					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	2,412,808	–	–	–	2,412,808
Due from banks	1,040,445	694,745	2,624	638,455	2,376,269
Financing assets	51,890,368	169,921	3,267,504	6,933,662	62,261,455
Investment securities - debt	13,144,872	721,353	41,205	306,214	14,213,644
Other assets	259,555	–	–	–	259,555
	68,748,048	1,586,019	3,311,333	7,878,331	81,523,731

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure (continued)

a) By Geographical Sector (continued)

	Qatar	Other GCC	Other Middle East	Others	Total
2014					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	2,995,326	–	–	–	2,995,326
Due from banks	1,788,985	1,485,439	1,296	327,052	3,602,772
Financing assets	52,061,010	143,542	–	5,702,388	57,906,940
Investment securities - debt	12,534,417	478,053	53,254	627,888	13,693,612
Other assets	234,129	–	–	12,263	246,392
	69,613,867	2,107,034	54,550	6,669,591	78,445,042

	Qatar	Other GCC	Other Middle East	Others	Total
2015					
Guarantees	10,760,274	13,233	661,512	5,668,659	17,103,678
Letters of credit	7,442,267	–	–	188,647	7,630,914
Unutilized credit facilities	15,011,538	60,982	–	347,775	15,420,295
	33,214,079	74,215	661,512	6,205,081	40,154,887

	Qatar	Other GCC	Other Middle East	Others	Total
2014					
Guarantees	8,544,279	5,018	747,266	3,687,790	12,984,353
Letters of credit	8,480,620	–	–	181,798	8,662,418
Unutilized credit facilities	20,184,495	15,729	–	571,015	20,771,239
	37,209,394	20,747	747,266	4,440,603	42,418,010

Notes to the Consolidated Financial Statements

At 31 December 2015

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure (continued)

b) By Industry sector

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross exposure 2015	Gross exposure 2014
Funded and unfunded		
Government	21,682,022	20,782,644
Government agencies	24,068,773	26,613,797
Industry	1,025,155	1,582,820
Commercial	2,533,576	1,817,055
Services	10,842,711	11,234,154
Contracting	789,345	686,634
Real estate	14,534,980	11,644,922
Personal	5,432,638	3,750,135
Others	614,531	332,881
Contingent liabilities	40,154,887	42,418,010
Total	121,678,618	120,863,052

Credit risk exposure

The tables below presents an analysis of counterparties by rating agency designation, based on Standard & Poor's ratings (or their equivalent):

	2015	2014
Equivalent grades		
AAA to AA-	45,864,229	47,265,223
A+ to A-	6,542,131	7,488,931
BBB to BBB-	1,704,229	552,500
BB+ to B-	330,052	362,243
Unrated	67,237,977	65,194,155
	121,678,618	120,863,052

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality

	Financing assets		Due from banks		Investment in debt-type securities		Other receivables	
	2015	2014	2015	2014	2015	2014	2015	2014
Neither past due nor impaired (low risk):								
Investment grade	30,344,498	31,823,467	–	–	12,444,425	12,240,739	–	–
Standard monitoring	31,044,601	25,470,324	2,376,269	3,602,772	1,743,736	1,423,749	259,555	246,392
Special monitoring	320,023	283,167	–	–	–	–	–	–
Carrying amount	61,709,122	57,576,958	2,376,269	3,602,772	14,188,161	13,664,488	259,555	246,392
Past due but not impaired (special mentioned):								
Investment grade	–	–	–	–	–	–	–	–
Standard monitoring	515,171	296,819	–	–	–	–	–	–
Special monitoring	30,858	27,626	–	–	–	–	–	–
Carrying amount	546,029	324,445	–	–	–	–	–	–
Impaired								
Substandard (overdue > 3 months)	7,718	4,443	–	–	–	–	–	–
Doubtful (overdue > 6 months)	1,598	–	–	–	–	–	–	–
Loss (overdue > 9 months)	50,438	53,774	–	–	50,967	50,967	3,126	3,126
	59,754	58,217	–	–	50,967	50,967	3,126	3,126
Less: impairment allowance-specific	(53,450)	(47,077)	–	–	(25,484)	(21,843)	(3,126)	(3,126)
Less: impairment allowance-collective	–	(5,603)	–	–	–	–	–	–
Net carrying amount (impaired assets)	6,304	5,537	–	–	25,483	29,124	–	–
Carrying amount – net	62,261,455	57,906,940	2,376,269	3,602,772	14,213,644	13,693,612	259,555	246,392

Notes to the Consolidated Financial Statements

At 31 December 2015

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

Impaired financing assets and investment in debt-type securities

Individually impaired financing assets and investment in debt-type securities (other than those carried at fair value through income statement) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and profit due according to the contractual terms of the financing / investment security agreement(s).

Investment in debt-type securities carried at fair value through income statement are not assessed for impairment but are subject to the same internal grading system.

Financing assets past due but not impaired

Past due but not impaired financing assets are those for which contractual profit 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	2014
Up to 30 days	250,997	229,199
31 to 60 days	108,223	30,858
61 – 90 days	186,809	64,388
Gross	546,029	324,445

Renegotiated financing assets

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. In the majority of cases, restructuring results in the asset continuing to be impaired:

	2015	2014
Continuing to be impaired after restructuring	7,318	9,626
Non–impaired after restructuring		
– would otherwise have been impaired	11,100	11,008
	18,418	20,634

Notes to the Consolidated Financial Statements

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4. FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.6 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 deposit, pledge of shares or legal mortgage against the past dues financing assets.

	Aggregate collateral	
	2015	2014
Past due category:		
Up to 30 days	454,736	100,405
31 to 60 days	90,183	8,769
61 – 90 days	101,912	42,994
91 days and above	83,755	24,290
	730,586	176,458

4.2.7 Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

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 standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 240 thousand (2014: QAR 74 thousand).

4.3 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Group manages its market risks within the framework of limits defined by the QCB.

4.3.1 Management of market risk

Assets and liabilities profit rate gaps are reviewed on a regular basis which is used to reduce the profit rate gaps to within the limits established by the Board. The Group manages its exposure to currency exchange rate fluctuations to within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis.

4.3.2 Exposure to profit rate risk – non-trading portfolios

The principal risk to which non-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 profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. The Asset and Liability Committee ("ALCO") is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

A summary of the Group's profit rate gap position on non-trading portfolios is as follows:

		Re-pricing in:					
	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Effective profit rate
2015							
Cash and balances with QCB	2,736,915	–	–	–	–	2,736,915	
Due from banks	2,376,269	1,352,443	–	364,050	–	659,776	1.35%
Financing assets	62,261,455	19,410,116	7,214,704	24,988,252	10,648,383	–	3.97%
Investment securities	14,120,957	68,851	–	–	–	14,052,106	3.24%
	81,495,596	20,831,410	7,214,704	25,352,302	10,648,383	17,448,797	
Due to banks	(13,344,591)	(10,058,791)	(2,587,093)	(198,630)	–	(500,077)	1.30%
Customer current accounts	(6,183,762)	–	–	–	–	(6,183,762)	
	(19,528,353)	(10,058,791)	(2,587,093)	(198,630)	–	(6,683,839)	
Equity of investment account holders	(49,439,504)	(38,845,229)	(9,142,805)	(1,451,470)	–	–	
Consolidated statement of financial position items	12,527,739	(28,072,610)	(4,515,194)	23,702,202	10,648,383	10,764,958	
Off consolidated statement of financial position items	28,878,484	18,591,189	10,079,120	208,175	–	–	
Profit Rate Sensitivity Gap	(16,350,745)	(46,663,799)	(14,594,314)	23,494,027	10,648,383	10,764,958	
Cumulative Profit Rate Sensitivity Gap	(16,350,745)	(46,663,799)	(61,254,094)	(37,760,067)	(27,111,684)	(16,346,726)	

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

		Re-pricing in:					
	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Effective profit rate
2014							
Cash and balances with QCB	3,311,311	–	–	–	–	3,311,311	
Due from banks	3,602,772	3,165,285	–	–	–	437,487	0.71%
Financing assets	57,906,940	16,435,908	8,611,601	16,193,760	16,665,671	–	3.81%
Investment securities	13,612,916	95,062	–	–	–	13,517,854	3.48%
	78,433,939	19,696,255	8,611,601	16,193,760	16,665,671	17,266,652	
Due to banks	(4,560,293)	(4,455,270)	(82,280)	–	–	(22,743)	1.61%
Customer current accounts	(4,878,252)	–	–	–	–	(4,878,252)	
	(9,438,545)	(4,455,270)	(82,280)	–	–	(4,900,995)	
Equity of investment account holders	(57,692,301)	(48,031,541)	(8,974,448)	(686,312)	–	–	1.00%
Consolidated statement of financial position items	11,303,093	(32,790,556)	(445,127)	15,507,448	16,665,671	12,365,657	
Off consolidated statement of financial position items	28,355,032	24,082,433	4,272,599	–	–	–	
Profit Rate Sensitivity Gap	(17,051,939)	(56,872,989)	(4,717,726)	15,507,448	16,665,671	12,365,657	
Cumulative Profit Rate Sensitivity Gap	(17,051,939)	(56,872,989)	(61,590,715)	(46,083,267)	(29,417,596)	(17,051,939)	

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves worldwide and a 5 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 profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	10 bp parallel increase	10 bp parallel decrease
2015		
At 31 December	900	(900)
2014		
At 31 December	743	(743)

Overall non-trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities.

4.3.3 Exposure to other market risks – non-trading portfolios

Foreign currency transactions

The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, the Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group (after taking account of the impact of any qualifying net investment hedges).

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4. FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.3 Exposure to other market risks – non-trading portfolios (continued)

	2015	2014
Net foreign currency exposure:		
EUR	983	(970)
GBP	(1,389)	(325)
Others	13,733	13,199

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the consolidated income statement, with all other variables held constant:

	Increase / (decrease) in profit or loss	
	2015	2014
5% increase / (decrease) in currency exchange rate		
EUR	49	(49)
GBP	(69)	(16)
Others	687	660

The table above does not include currencies that are pegged against the QAR.

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as investments at fair value through equity.

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

	2015	2014
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	15,421	17,845
Increase / (decrease) in equity	4,902	11,647

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

4.4.1 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 issued, 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 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	85%	104%
Average for the year	88%	109%
Maximum for the year	97%	128%
Minimum for the year	78%	101%

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December 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. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2015						
Cash and balances with QCB	2,736,915	402,741	–	–	–	2,334,174
Due from banks	2,376,269	2,012,219	–	–	364,050	–
Financing assets	62,261,455	7,031,900	8,870,920	7,217,889	25,755,784	13,384,962
Investment securities	14,624,801	100,349	249,697	570,567	9,719,276	3,984,912
Other assets	259,555	246,831	12,724	–	–	–
Total financial assets	82,258,995	9,794,040	9,133,341	7,788,456	35,839,110	19,704,048
Due to banks	13,344,591	7,782,253	2,776,615	2,587,093	198,630	–
Customer current accounts	6,183,762	6,183,762	–	–	–	–
Total financial liabilities	19,528,353	13,966,015	2,776,615	2,587,093	198,630	–
Equity of investment account holders	49,439,504	25,304,572	12,058,916	10,597,463	1,478,553	–
Total financial liabilities and equity of investment account holders	68,967,857	39,270,587	14,835,531	13,184,556	1,677,183	–
Difference	13,291,138	(29,476,547)	(5,702,190)	(5,396,100)	34,161,927	19,704,048

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
2014						
Cash and balances with QCB	3,311,311	559,957	–	–	–	2,751,354
Due from banks	3,602,772	3,562,494	40,278	–	–	–
Financing assets	57,906,940	6,454,647	7,860,928	8,425,460	16,395,863	18,770,042
Investment securities	14,288,311	244,967	1,705,481	825,484	9,154,882	2,357,497
Other assets	246,392	246,392	–	–	–	–
Total financial assets	79,355,726	11,068,457	9,606,687	9,250,944	25,550,745	23,878,893
Due to banks	4,560,293	2,028,428	2,449,585	82,280	–	–
Customer current accounts	4,878,252	4,878,252	–	–	–	–
Total financial liabilities	9,438,545	6,906,680	2,449,585	82,280	–	–
Equity of investment account holders	57,692,301	37,410,754	10,136,612	9,458,623	686,312	–
Total financial liabilities and equity of investment account holders	67,130,846	44,317,434	12,586,197	9,540,903	686,312	–
Difference	12,224,880	(33,248,977)	(2,979,510)	(289,959)	24,864,433	23,878,893

QAR '000s

4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and risk management instruments)

The table below summarises the maturity profile of the Group's financial liabilities based on remaining contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable, diverse and liquid assets in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with QCB. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2015							
Non-derivative liabilities							
Due to banks	13,344,591	13,361,240	7,421,242	3,874,900	1,865,574	199,524	–
Customer current accounts	6,183,762	6,183,762	6,183,762	–	–	–	–
Other liabilities	1,700,149	1,700,149	1,700,149	–	–	–	–
Total liabilities	21,228,502	21,245,151	15,305,153	3,874,900	1,865,574	199,524	–
Equity of investment account holders	49,439,504	49,631,998	26,624,283	12,687,928	9,449,798	869,989	–
Risk management instruments							
Risk management:	8,063						
Outflow		(15,165)	(1,587)	(5,403)	(8,175)	–	–
Inflow	–	23,228	4,343	5,503	13,382	–	–
	70,676,069	70,885,212	41,932,192	16,562,928	11,320,579	1,069,513	–

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4. FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and risk management instruments) (continued)

	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
2014							
Non-derivative liabilities							
Due to banks	4,560,293	4,562,367	2,028,695	2,451,134	82,538	–	–
Customer current accounts	4,878,252	4,878,252	4,878,252	–	–	–	–
Other liabilities	1,242,922	1,242,922	1,242,922	–	–	–	–
Total liabilities	10,681,467	10,683,541	8,149,869	2,451,134	82,538	–	–
Equity of investment account holders	57,692,301	57,830,916	38,736,519	10,103,202	8,379,905	611,290	–
Risk management instruments							
Risk management:	(29)						
Outflow		(15,335)	(2,677)	(10,725)	(1,933)	–	–
Inflow		15,306	2,591	10,681	2,034	–	–
	68,373,739	68,514,428	46,886,302	12,554,292	8,462,544	611,290	–

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4. FINANCIAL RISK MANAGEMENT (continued)

4.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4.6 Capital management

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on owners' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB.

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4. FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

Regulatory capital (continued)

The following table summarises the capital adequacy of the Group under Basel III/II requirements:

	2015	2014
Common Equity Tier (CET) 1 capital/Tier 1 (Basel II)	10,670,083	9,977,075
Additional Tier 1 capital	1,160	752
Additional Tier 2 capital	1,160	752
Total eligible capital	10,672,403	9,978,579
Total risk weighted assets	57,552,128	54,363,751
CET1/Tier 1 (Basel II) Ratio	18.54%	18.35%
Total Capital Ratio	18.54%	18.36%

The Bank has followed Basel III Capital Adequacy Ratio (CAR) with effect from 1 January 2014 in accordance with QCB regulations. The minimum accepted CAR under Basel III as per QCB requirements are as follows:

- Minimum limit without Capital Conservation Buffer is 10%;
- Minimum limit including Capital Conservation Buffer is 12.5%; and
- Minimum Total Capital plus Conservation Buffer plus Domestic Systematic Important Bank buffer is 12.75%.

Risk weighted assets and carrying amounts

	Basel III/II Risk weighted amount		Carrying amount	
	2015	2014	2015	2014
Cash and balances with QCB	–	–	2,736,915	3,311,311
Due from banks	550,427	753,249	2,376,269	3,602,772
Financing assets	34,074,791	33,849,568	62,261,455	57,906,940
Investment securities	1,886,632	2,102,109	14,624,801	14,288,311
Fixed assets and other assets	541,697	454,321	557,737	469,686
Off balance sheet assets	12,383,683	9,160,248	69,030,029	70,773,042
Total risk weighted assets for credit risk	49,437,230	46,319,495	151,587,206	150,352,062
Risk weighted assets for market risk	3,848,461	4,161,193		
Risk weighted assets for operational risk	4,266,436	3,883,063		
	8,114,897	8,044,256		

	2015	2014
Risk weighted assets	57,552,127	54,363,751
Regulatory capital	10,672,403	9,978,579
Risk weighted assets as a percentage of regulatory capital (capital ratio)	18.54%	18.36%

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5. USE OF ESTIMATES AND JUDGMENTS

a) Key sources of estimation uncertainty

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

i) Allowances for credit losses

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

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing 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 allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies. 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.

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

i) Valuation of financial instruments

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

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Notes to the Consolidated Financial Statements

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5. USE OF ESTIMATES AND JUDGMENTS (continued)

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

i) Valuation of financial instruments (continued)

- 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, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia 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, which would have been determined by market participants acting at arm's length.

ii) Financial asset and liability classification

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
2015				
Risk management instruments	–	15,827	–	15,827
Investment securities	499,149	–	–	499,149
	499,149	15,827	–	514,976
Risk management instruments	–	7,764	–	7,764
	–	7,764	–	7,764

	Level 1	Level 2	Level 3	Total
2014				
Risk management instruments	–	15,306	–	15,306
Investment securities	670,520	–	–	670,520
	670,520	15,306	–	685,826
Risk management instruments	–	15,335	–	15,335
	–	15,335	–	15,335

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for certain investment securities for which the fair value amounts to QAR 2,602 million (2014: QAR 2,430 million), which is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 7.

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QAR '000s

5. USE OF ESTIMATES AND JUDGMENTS (continued)

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

ii) Financial asset and liability classification (continued)

Investment securities totalling QAR 4,695 thousand are carried at cost (2014: QAR 4,875 thousand).

During the reporting periods 31 December 2015 and 2014, there were no transfers among Levels 1, 2 and 3 fair value measurements.

iii) 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 note.

iv) Useful lives of fixed assets
The Group's management determines the estimated useful life of fixed assets 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 has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the management reviews internal reports periodically. The following summary describes the operations in each of the Group's reportable segments.

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non-core business operations, like common property & equipment, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries

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6. OPERATING SEGMENTS (continued)

Information about operating segments

2015	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	2,101,759	495,775	(7,443)	151,985	–	2,742,076
Net fee and commission income	196,082	–	31,850	10,321	–	238,253
Foreign exchange gain / (loss)	107,839	–	(17)	56	–	107,878
Share of results of associates and joint ventures	–	–	–	–	55,648	55,648
Gain on sale of an associate	–	–	–	–	186,143	186,143
Other income	–	–	–	–	6,793	6,793
Total segment revenue	2,405,680	495,775	24,390	162,362	248,584	3,336,791
Other material non-cash items:						
Net impairment loss on investment securities	(15,367)	–	(31,977)	–	–	(47,344)
Net recoveries and reversals / (impairment losses) on financing assets	2,441	–	–	(1,874)	–	567
Reportable segment profit before tax	1,781,467	414,740	(39,519)	31,326	(187,019)	2,000,995
Reportable segment assets	64,081,972	12,117,620	846,424	5,417,337	562,876	83,026,229
Reportable segment liabilities	15,894,507	1,991,157	8,198	1,664,840	1,669,800	21,228,502
Reportable segment equity of investment account holders	36,579,743	9,711,723	–	3,148,038	–	49,439,504

QAR '000s

6. OPERATING SEGMENTS (continued)
Information about operating segments (continued)

2014	Corporate Banking	Retail Banking	Asset Management	International operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	2,044,965	379,720	54,807	92,590	–	2,572,082
Net fee and commission income	188,365	–	23,189	4,041	–	215,595
Foreign exchange gain / (loss)	86,789	–	(38)	–	–	86,751
Share of results of associates and joint ventures	–	–	–	–	9,613	9,613
Gain on sale of an associate	–	–	–	–	186,143	186,143
Other income	–	–	–	–	7,435	7,435
Total segment revenue	2,320,119	379,720	77,958	96,631	203,191	3,077,619
Other material non-cash items:						
Net impairment loss on investment securities	–	–	–	–	(508)	(508)
Net impairment loss on financing assets	(9,257)	(3,137)	–	–	–	(12,394)
Reportable segment profit before tax	1,839,008	310,865	50,972	(1,137)	(180,401)	2,019,307
Reportable segment assets	66,497,109	8,531,622	912,362	3,664,627	488,548	80,094,268
Reportable segment liabilities	7,141,093	1,735,382	11,387	576,978	1,216,627	10,681,467
Reportable segment equity of investment account holders	48,695,080	6,485,375	–	2,511,846	–	57,692,301

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7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2015					
Cash and balances with QCB	–	–	2,736,915	2,736,915	2,736,915
Due from banks	–	–	2,376,269	2,376,269	2,376,269
Financing assets	–	–	62,261,455	62,261,455	62,261,455
Investment securities:					
– Measured at fair value	401,101	102,743	–	503,844	503,844
– Measured at amortised cost	–	–	14,120,957	14,120,957	14,176,135
Other assets	–	–	259,555	259,555	259,555
Risk management instruments	15,827	–	–	15,827	15,827
	416,928	102,743	81,755,151	82,274,822	82,330,000
Due to banks	–	–	13,344,591	13,344,591	13,344,591
Customer current accounts	–	–	6,183,762	6,183,762	6,183,762
Equity of investment account holders	–	–	49,439,504	49,439,504	49,439,504
Risk management instruments	7,764	–	–	7,764	7,764
	7,764	–	68,967,857	68,975,621	68,975,621

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2014					
Cash and balances with QCB	–	–	3,311,311	3,311,311	3,311,311
Due from banks	–	–	3,602,772	3,602,772	3,602,772
Financing assets	–	–	57,906,940	57,906,940	57,906,940
Investment securities:					
– Measured at fair value	437,583	237,812	–	675,395	675,395
– Measured at amortised cost	–	–	13,612,916	13,612,916	13,638,025
Other assets	–	–	246,392	246,392	246,392
Risk management instruments	15,306	–	–	15,306	15,306
	452,889	237,812	78,680,331	79,371,032	79,396,141
Due to banks	–	–	4,560,293	4,560,293	4,560,293
Customer current accounts	–	–	4,878,252	4,878,252	4,878,252
Equity of investment account holders	–	–	57,692,301	57,692,301	57,692,301
Risk management instruments	15,335	–	–	15,335	15,335
	15,335	–	67,130,846	67,146,181	67,146,181

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8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2015	2014
Cash on hand	324,107	315,985
Cash reserve with QCB*	2,334,173	2,751,534
Current account with QCB	78,635	243,792
	2,736,915	3,311,311

* The cash reserve with QCB represents a mandatory reserve not available for the daily operations of the Bank.

9. DUE FROM BANKS

	2015	2014
Current accounts	651,794	437,487
Wakala placements with banks	516,653	2,156,225
Commodity murabaha receivable	1,207,822	1,009,060
	2,376,269	3,602,772

10. FINANCING ASSETS

	2015	2014
a) By type		
Receivables and balances from financing activities:		
Murabaha	53,883,355	53,135,412
Ijarah	6,804,106	4,814,709
Istisna'a	1,698,043	1,300,702
Musharaka	4,561,423	3,614,539
Others	83,153	68,016
Total receivables and balances from financing activities	67,030,080	62,933,378
Deferred profit	(4,715,175)	(4,973,758)
Allowance for impairment and profit in suspense (note b)	(53,450)	(52,680)
Net receivables and balances from financing activities	62,261,455	57,906,940

The total non-performing financing assets at 31 December 2015 amounted to QAR 59,754 thousand representing 0.09% of the gross financing assets (2014: QAR 58,217 thousand, representing 0.09% of the gross financing assets).

Specific impairment of financing assets includes QAR 3,532 thousand of profit in suspense (2014: QAR 3,160 thousand).

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10. FINANCING ASSETS (continued)

b) Movement in the allowance for impairment and profit in suspense on financing assets

	Specific and collective impairment	Profit in suspense	Total 2015
Balance as at 1 January	49,520	3,160	52,680
Charge for the year	8,958	372	9,330
Recoveries / reversals during the year	(9,525)	–	(9,525)
Write off during the year	(240)	–	(240)
Effect of foreign currency movement	1,205	–	1,205
Balance at 31 December	49,918	3,532	53,450

	Specific and collective impairment	Profit in suspense	Total 2014
Balance as at 1 January	33,916	3,209	37,125
Acquired from business combination	3,284	–	3,284
Charge for the year	19,870	(49)	19,821
Recoveries / reversals during the year	(7,476)	–	(7,476)
Write off during the year	(74)	–	(74)
Balance at 31 December	49,520	3,160	52,680

c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector-wise

	Corporate and SME	Retail	Total 2015
Balance as at 1 January	44,129	8,551	52,680
Charge for the year	5,116	4,214	9,330
Recoveries / reversals during the year	(8,147)	(1,378)	(9,525)
Write off during the year	–	(240)	(240)
Effect of foreign currency movement	–	1,205	1,205
Balance at 31 December	41,098	12,352	53,450

	Corporate and SME	Retail	Total 2014
Balance as at 1 January	35,070	2,055	37,125
Acquired from business combination	–	3,284	3,284
Charge for the year	16,047	3,774	19,821
Recoveries / reversals during the year	(6,988)	(488)	(7,476)
Write off during the year	–	(74)	(74)
Balance at 31 December	44,129	8,551	52,680

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10. FINANCING ASSETS (continued)

d) By sector

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2015
Government and related agencies	32,935,898	403,373	310,436	–	–	33,649,707
Non-banking financial institutions	5,558,600	–	–	–	–	5,558,600
Industry	270,654	–	633,508	–	–	904,162
Commercial	1,240,928	31,802	–	–	1,559	1,274,289
Services	2,244,629	198,541	223,194	215,387	15,212	2,896,963
Contracting	727,425	89,331	–	2,711	–	819,467
Real estate	6,900,782	5,669,427	530,905	1,519,469	–	14,620,583
Personal	2,893,954	331,755	–	2,281,640	66,382	5,573,731
Other	1,110,485	79,877	–	542,216	–	1,732,578
	53,883,355	6,804,106	1,698,043	4,561,423	83,153	67,030,080
Less: Deferred profit						(4,715,175)
Allowance for impairment on financing assets						(53,450)
						62,261,455

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2014
Government and related agencies	35,371,333	–	279,075	–	–	35,650,408
Non-banking financial institutions	5,894,033	4,657	–	–	–	5,898,690
Industry	278,104	–	536,319	–	–	814,423
Commercial	1,075,032	177,588	–	–	–	1,252,620
Services	1,841,189	24,370	216,074	208,515	14,908	2,305,056
Contracting	654,457	60,962	–	–	–	715,419
Real estate	5,635,735	4,358,299	269,234	1,270,602	–	11,533,870
Personal	2,385,518	188,833	–	1,582,993	53,108	4,210,452
Other	11	–	–	552,429	–	552,440
	53,135,412	4,814,709	1,300,702	3,614,539	68,016	62,933,378
Less: Deferred profit						(4,973,758)
Allowance for impairment on financing assets						(52,680)
						57,906,940

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11. INVESTMENT SECURITIES

	2015			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Equity type investments	308,414	–	308,414	356,887	–	356,887
• Debt type investments – Fixed profit rate	92,687	–	92,687	80,696	–	80,696
	401,101	–	401,101	437,583	–	437,583
Debt-type investments classified at amortised cost						
Fixed profit rate	1,264,861	–	1,264,861	1,095,271	–	1,095,271
Floating profit rate	68,851	–	68,851	95,063	–	95,063
Government of Qatar Sukuk	1,238,717	11,574,012	12,812,729	1,236,898	11,207,527	12,444,425
Less: Allowance for impairment	(25,484)	–	(25,484)	(21,843)	–	(21,843)
	2,546,945	11,574,012	14,120,957	2,405,389	11,207,527	13,612,916
Equity-type investments classified as fair value through equity	98,048	4,695	102,743	232,937	4,875	237,812
	3,046,094	11,578,707	14,624,801	3,075,909	11,212,402	14,288,311

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the year totalling QAR 47,344 thousand (2014: QAR 508 thousand), due to significant and prolonged reduction in fair values.

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11. INVESTMENT SECURITIES (continued)

The cumulative change in fair value of equity-type investments designated as fair value through equity during the year is as follows:

	2015			2014		
	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Balance at 1 January	38,918	(10,113)	28,805	26,888	–	26,888
Net change in fair value	9,431	(45,704)	(36,273)	10,712	(10,711)	1
Transferred to consolidated income statement on sale	(34,198)	11,966	(22,232)	(544)	90	(454)
Transferred to consolidated income statement due to impairment	–	43,703	43,703	–	508	508
Share of other comprehensive income of associates	(1,413)	–	(1,413)	1,862	–	1,862
Net fair value movement	(26,180)	9,965	(16,215)	12,030	(10,113)	1,917
Balance at 31 December	12,738	(148)	12,590	38,918	(10,113)	28,805

12. INVESTMENT IN ASSOCIATES

Associates' movement during the year is as follows:

	2015	2014
Balance at 1 January	423,998	1,457,278
Share of results	55,648	9,613
Cash dividend received	(9,429)	(5,408)
Associate sold	–	(1,039,347)
Share of other comprehensive income	(1,413)	1,862
Other movements	248	–
Balance at 31 December	469,052	423,998

Name of the Company	Country	Company's activities	Ownership %	
			2015	2014
National Mass Housing ("NMH")	Oman	Real estate services	20.00	20.00
CI San Trading ("Ci San")	Qatar	Investing and trading	50.00	50.00
Kirnaf Finance Company (formerly known as "Kirnaf Investment and Installment Company") ("Kirnaf")	Saudi Arabia	Leasing	48.00	48.00
Daman Insurance – Beema ("Daman")	Qatar	Insurance	20.00	20.00
Linc Facility Services ("Linc")	Qatar	Facility management	33.50*	33.50

* In 2015, ownership of the associate was transferred from the Company to Al Rayan Partners, a wholly-owned subsidiary.

All investments are not listed.

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12. INVESTMENT IN ASSOCIATES (continued)

The financial position, revenue and results of associates are as follows:

2015	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	168,547	100,243	1,171,982	825,414	46,805
Total liabilities	4,463	51,894	434,491	537,773	7,478
Total revenue	28,788	63,959	71,978	66,862	38,552
Net profit / (loss)	10,844	2,230	29,081	39,694	16,292
Share of profit / (loss)	2,169	1,115	39,215	7,939	5,210

2014	NMH	Ci San	Kirnaf	Daman	Linc	Seef*
Total assets	169,764	53,323	977,162	638,359	29,475	–
Total liabilities	5,355	7,217	321,369	373,245	6,440	–
Total revenue	5,970	64,096	–	54,801	35,557	–
Net profit / (loss)	4,012	2,730	–	30,643	17,834	–
Share of profit / (loss)	797	1,348	–	3,847	5,717	(2,096)

*During 2014, the Bank has disposed its 50% stake in Seef to Qatari Diar Infrastructure Company (49%) and Qatari Diar Real Estate Investment Company (1%).

13. INVESTMENT PROPERTY

The movement during the year is as follows:

	2015	2014
Balance at 1 January	91,250	91,250
Disposal during the year	(91,250)	–
Balance at 31 December	–	91,250

Investment property pertains to freehold land and it was disposed during the year for QAR 92,911 thousand (net).

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14. FIXED ASSETS

	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2015	78,709	72,702	34,964	86,481	300	273,156
Additions	19,471	11,542	3,990	6,795	1,974	43,772
Disposals	–	(1,843)	(328)	–	–	(2,171)
Effect of foreign currency movement	(10)	(761)	(116)	(616)	–	(1,503)
Balance at 31 December 2015	98,170	81,640	38,510	92,660	2,274	313,254
Accumulated depreciation:						
Balance at 1 January 2015	2,464	51,110	19,956	80,390	–	153,920
Depreciation for the year	386	6,592	3,737	4,757	–	15,472
Disposals	–	(1,843)	(288)	–	–	(2,131)
Effect of foreign currency movement	–	(786)	(110)	(593)	–	(1,489)
Balance at 31 December 2015	2,850	55,073	23,295	84,554	–	165,772
Net book value:						
At 31 December 2015	95,320	26,567	15,215	8,106	2,274	147,482

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14. FIXED ASSETS (continued)

	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2014	14,163	54,579	22,892	71,765	300	163,699
Additions	64,546	1,354	9,654	2,334	–	77,888
Acquired from business combination	–	16,769	2,418	12,382	–	31,569
Balance at 31 December 2014	78,709	72,702	34,964	86,481	300	273,156
Accumulated depreciation:						
Balance at 1 January 2014	2,106	29,124	14,544	62,642	–	108,416
Depreciation for the year	358	6,710	3,168	5,876	–	16,112
Acquired from business combination	–	15,276	2,244	11,872	–	29,392
Balance at 31 December 2014	2,464	51,110	19,956	80,390	–	153,920
Net book value:						
At 31 December 2014	76,245	21,592	15,008	6,091	300	119,236

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15. OTHER ASSETS

	2015	2014
Accrued profit	262,681	249,518
Prepayments and other receivables	135,675	78,818
Advances to suppliers	15,025	25,240
	413,381	353,576
Less: Allowance for impairment losses	(3,126)	(3,126)
	410,255	350,450

Notes:

i) Allowance for impairment losses pertain to accrued profit relating to certain debt type investments.

ii) Other receivables include positive fair value of derivatives amounting to QAR 15,827 thousand (2014: QAR 15,306 thousand).

16. DUE TO BANKS

	2015	2014
Current accounts	500,077	22,743
Commodity murabaha payable	2,348,709	1,230,876
Wakala payable	10,495,805	3,306,674
	13,344,591	4,560,293

Wakala payable includes various facilities with maturities up to 15 months and carries a profit rate of 0.05% to 1.65 % (2014: maturities up to 5 months and carries a profit rate of 0.10% to 0.80%).

17. CUSTOMER CURRENT ACCOUNTS

	2015	2014
By sector:		
Government	1,426,004	805,026
Non-banking financial institutions	32,612	186,465
Corporate	2,324,437	1,915,932
Individuals	2,400,709	1,970,829
	6,183,762	4,878,252

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18. OTHER LIABILITIES

	2015	2014
Unearned commission	288,922	485,452
Dividend payable	448,354	312,956
Funds received against rights issue on behalf of customers	429,361	–
Other staff provisions	95,485	87,811
Accrued expenses	90,814	56,305
Social and sports fund (Note 38)	51,834	50,056
Provision for employees' end of service benefits (a)	32,309	27,130
Others	263,070	223,212
	1,700,149	1,242,922

Others include negative fair value of derivatives amounting to QAR 7,764 thousand (2014: QAR 15,335 thousand).

a) Provision for employees' end of service benefits

	2015	2014
Balance at 1 January	27,130	21,552
Provisions made during the year	7,386	7,462
Paid during the year	(2,207)	(1,884)
Balance at 31 December	32,309	27,130

19. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2015	2014
a) By type		
Saving accounts	3,252,293	3,103,374
Term accounts	41,528,663	49,572,859
Call accounts	4,520,224	4,908,413
Profit payable to equity of investment account holders	137,812	106,461
Share in the fair value reserve	512	1,194
	49,439,504	57,692,301

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19. EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

b) By sector

	2015	2014
Government	23,740,637	32,972,711
Non-banking financial institutions	215,163	117,973
Retail	9,015,985	7,523,703
Corporate	16,329,395	16,970,259
Profit payable to equity of investment account holders	137,812	106,461
Share in the fair value reserve	512	1,194
	49,439,504	57,692,301

In accordance with QCB circular No. 87/2008, no risk reserve is deducted from the profit related to the equity of investment account holders and the total risk reserve is transferred from the shareholders' profit as an appropriation.

c) Share of equity of investment account holders in the net profit

	2015	2014
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	2,039,474	1,876,727
Masraf's Mudaraba income	(1,891,529)	(1,749,847)
Return on investment account holders	147,945	126,880
Support provided by Masraf	470,680	384,594
Return on investment account holders after Masraf's support	618,625	511,474

Rates of profit allotment:	2015 %	2014 %
More than one year deposits	1.53	1.53
One year deposits	1.35	1.31
Six months deposits	1.27	1.22
Three months deposits	1.16	1.13
Call accounts	0.90	0.66
Saving accounts	1.10	0.89
Saving accounts-millionaire	1.18	1.00

20. OWNERS' EQUITY

a) Share capital

	2015	2014
Authorised, issued and paid up 750,000,000 shares at QAR 10 each	7,500,000	7,500,000

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20. OWNERS' EQUITY (continued)

b) Legal reserve

	2015	2014
Balance at 1 January	1,033,195	632,746
Transfer from retained earnings (i)	414,674	400,449
Balance at 31 December	1,447,869	1,033,195

i) According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. At 31 December 2015, the Group transferred to legal reserve 20% of the net profit for the year (2014: 20% of the net profit).

c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. As of 31 December 2015, an amount of QAR 128 million has been transferred to the risk reserve (2014: QAR 133 million).

d) Fair value reserve

This reserve comprises changes in fair value of equity-type investments classified as fair value through equity.

	2015	2014
Balance at the 1 January	28,805	26,888
Net unrealised (losses) / gains	(35,761)	1,195
Transferred to consolidated income statement	(22,232)	(454)
Transferred to consolidated income statement due to impairment	43,703	508
Share of other comprehensive income of associates	(1,413)	1,862
Share of equity of investment account holders in the fair value reserve	(512)	(1,194)
Net fair value movement	(16,215)	1,917
Balance at 31 December (shareholders' share)	12,590	28,805

Fair value reserve represents unearned gains/ (losses), being not available for distribution unless realised and charged to the consolidated income statement.

e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations.

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20. OWNERS' EQUITY (continued)

f) **Other reserves**

This represents the Group's share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2015	2014
Balance at 1 January	41,165	26,809
Share of results of associates	55,648	9,613
Dividend from associates transferred to retained earnings	(5,418)	(5,408)
Other movement	(10,927)	10,151
Balance at 31 December	80,468	41,165

g) **Proposed dividend**

The Board of Directors in its meeting held on 18 January 2016 proposed a cash dividend of 17.5% (2014: 17.5%) of the share capital amounting to QAR 1,312.5 million (2014: QAR 1,312.5 million).

This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

21. NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan GCC Fund (F), Al Rayan GCC Fund (Q) and Al Rayan Bank of 44.6%, 83.5% and 1.66%, respectively (31 December 2014: 51.4%, 83.4% and 1.66%, respectively).

22. NET INCOME FROM FINANCING ACTIVITIES

	2015	2014
Income from Murabaha	1,847,540	1,742,128
Income from Istisna'a	39,496	33,979
Income from Ijarah	273,672	205,381
Income from Musharaka	172,756	119,647
	2,333,464	2,101,135

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23. NET INCOME FROM INVESTING ACTIVITIES

	2015	2014
Income from investment in debt-type instruments	405,013	397,819
Dividend income	23,872	20,141
Income from inter-bank placements with Islamic banks	22,037	23,169
Net gain on sale of equity-type investments	17,259	2,066
Net gain on sale of debt-type investments	206	24,176
Fair value (loss) / gain on investment securities carried as fair value through income statement	(59,775)	3,576
	408,612	470,947

24. NET FEE AND COMMISSION INCOME

	2015	2014
Commission on financing activities	143,457	135,611
Commission on trade finance activities	72,666	54,561
Commission on banking services	23,548	26,945
	239,671	217,117
Fee and commission expenses	(1,418)	(1,522)
	238,253	215,595

25. FOREIGN EXCHANGE GAIN

	2015	2014
Dealing in foreign currencies	107,995	86,710
Revaluation of assets and liabilities	(117)	41
	107,878	86,751

26. OTHER INCOME

	2015	2014
Rental income	2,777	2,799
Miscellaneous	4,016	4,636
	6,793	7,435

27. STAFF COSTS

	2015	2014
Salaries, allowances and other staff costs	279,283	250,600
Staff indemnity costs	7,386	7,462
Staff pension fund costs	5,235	4,728
	291,904	262,790

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28. OTHER EXPENSES

	2015	2014
Rent and maintenance	59,481	52,649
Advertising expenses	50,688	35,838
Board of Directors' remuneration (Note 34c)	20,812	18,471
Legal, professional and consulting fees	19,288	19,257
Information technology	18,102	15,944
Shari'a Board compensation	2,220	2,028
Other operating expenses	74,222	55,803
	244,813	199,990

29. CONTINGENT LIABILITIES AND COMMITMENTS

a) Capital commitments

The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these rent agreements are as follows:

	2015	2014
Payable not later than 1 year	25,843	24,407
Payable later than 1 year and not later than 5 years	30,537	20,168
	56,380	44,575

b) Contingent liabilities

	2015	2014
Unutilised credit facilities	15,420,295	20,771,239
Guarantees	17,103,678	12,984,353
Letters of credit	7,630,914	8,662,418
	40,154,887	42,418,010

c) Other undertakings and commitments

	2015	2014
Profit rate swap	4,074,270	4,505,943
Unilateral promise to buy/sell currencies	24,800,872	23,849,089
	28,875,142	28,355,032

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30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	Other GCC	Europe	North America	Others	Total
2015						
Cash and balances with QCB	2,727,150	–	9,765	–	–	2,736,915
Due from banks	1,040,446	694,745	578,483	59,203	3,392	2,376,269
Financing assets	51,890,370	169,921	6,933,658	–	3,267,506	62,261,455
Investment securities	13,308,369	964,266	130,451	–	221,715	14,624,801
Investment in associates and joint arrangements	84,198	384,854	–	–	–	469,052
Investment property	–	–	–	–	–	–
Fixed assets	115,111	–	32,371	–	–	147,482
Other assets	361,893	–	48,362	–	–	410,255
TOTAL ASSETS	69,527,537	2,213,786	7,733,090	59,203	3,492,613	83,026,229
Due to banks	8,739,445	4,024,925	16,745	1	563,475	13,344,591
Customer current accounts	5,492,631	52,809	623,529	21	14,772	6,183,762
Other liabilities	1,542,892	–	157,257	–	–	1,700,149
Total liabilities	15,774,968	4,077,734	797,531	22	578,247	21,228,502
Equity of investment account holders	45,640,270	1,844,384	1,847,508	26	107,316	49,439,504
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	61,415,238	5,922,118	2,645,039	48	685,563	70,668,006

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30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Geographical sector (continued)

	Qatar	Other GCC	Europe	North America	Others	Total
2014						
Cash and balances with QCB	3,306,749	–	4,562	–	–	3,311,311
Due from banks	1,788,985	1,485,439	161,706	112,938	53,704	3,602,772
Financing assets	52,061,010	143,542	5,702,388	–	–	57,906,940
Investment securities	12,831,389	773,167	78,024	513,158	92,573	14,288,311
Investment in associates and joint arrangements	77,754	346,244	–	–	–	423,998
Investment property	91,250	–	–	–	–	91,250
Fixed assets	117,755	–	1,481	–	–	119,236
Other assets	331,343	–	19,107	–	–	350,450
TOTAL ASSETS	70,606,235	2,748,392	5,967,268	626,096	146,277	80,094,268
Due to banks	2,377,353	1,977,589	18,745	1	186,605	4,560,293
Customer current accounts	4,531,713	14,756	324,694	21	7,068	4,878,252
Other liabilities	1,228,015	–	14,907	–	–	1,242,922
Total liabilities	8,137,081	1,992,345	358,346	22	193,673	10,681,467
Equity of investment account holders	52,468,474	2,690,622	285,140	34	2,248,031	57,692,301
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	60,605,555	4,682,967	643,486	56	2,441,704	68,373,768

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30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2015							
Cash and balances with QCB	–	–	–	2,736,915	–	–	2,736,915
Due from banks	–	–	–	2,376,269	–	–	2,376,269
Financing assets	14,217,763	1,029,432	633,508	5,055,698	5,432,640	35,892,414	62,261,455
Investment securities	348,202	169,583	8,028	330,712	–	13,768,276	14,624,801
Investment in associates and joint arrangements	30,858	–	–	404,855	–	33,339	469,052
Investment property	–	–	–	–	–	–	–
Fixed assets	–	–	–	–	–	147,482	147,482
Other assets	–	–	–	–	–	410,255	410,255
TOTAL ASSETS	14,596,823	1,199,015	641,536	10,904,449	5,432,640	50,251,766	83,026,229
Due to banks	–	–	–	13,344,591	–	–	13,344,591
Customer current accounts	79,701	195,642	975	32,612	2,400,709	3,474,123	6,183,762
Other liabilities	–	–	–	–	–	1,700,149	1,700,149
Total liabilities	79,701	195,642	975	13,377,203	2,400,709	5,174,272	21,228,502
Equity of investment account holders	111,972	280,986	754	215,163	9,015,985	39,814,644	49,439,504
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	191,673	476,628	1,729	13,592,366	11,416,694	44,988,916	70,668,006

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30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector (continued)

	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
2014							
Cash and balances with QCB	–	–	–	3,311,311	–	–	3,311,311
Due from banks	–	–	–	3,602,772	–	–	3,602,772
Financing assets	11,441,065	944,171	536,319	5,271,440	3,983,427	35,730,518	57,906,940
Investment securities	290,222	232,124	11,226	480,754	–	13,273,985	14,288,311
Investment in associates and joint arrangements	31,463	–	–	361,765	–	30,770	423,998
Investment property	91,250	–	–	–	–	–	91,250
Fixed assets	–	–	–	–	–	119,236	119,236
Other assets	–	–	–	–	–	350,450	350,450
TOTAL ASSETS	11,854,000	1,176,295	547,545	13,028,042	3,983,427	49,504,959	80,094,268
Due to banks	–	–	–	4,560,293	–	–	4,560,293
Customer current accounts	152,833	186,739	3,046	186,465	1,970,829	2,378,340	4,878,252
Other liabilities	–	–	–	–	–	1,242,922	1,242,922
Total liabilities	152,833	186,739	3,046	4,746,758	1,970,829	3,621,262	10,681,467
Equity of investment account holders	163,491	859,095	754	117,973	7,523,703	49,027,285	57,692,301
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	316,324	1,045,834	3,800	4,864,731	9,494,532	52,648,547	68,373,768

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31. MATURITY PROFILE

	Up to 3 months	3-6 months	6 months- 1 year	1-5 years	Over 5 years	Total
2015						
Cash and balances with QCB	402,741	–	–	–	2,334,174	2,736,915
Due from banks	2,012,219	–	–	364,050	–	2,376,269
Financing assets	15,902,820	4,547,576	2,670,313	25,755,786	13,384,960	62,261,455
Investment securities	658,460	249,315	321,252	9,719,276	3,676,498	14,624,801
Investment in associates and joint arrangements	–	–	–	–	469,052	469,052
Investment property	–	–	–	–	–	–
Fixed assets	–	–	–	–	147,482	147,482
Other assets	410,255	–	–	–	–	410,255
TOTAL ASSETS	19,386,495	4,796,891	2,991,565	35,839,112	20,012,166	83,026,229
Due to banks	10,558,868	2,549,804	37,289	198,630	–	13,344,591
Customer current accounts	6,183,762	–	–	–	–	6,183,762
Other liabilities	1,700,149	–	–	–	–	1,700,149
Total liabilities	18,442,779	2,549,804	37,289	198,630	–	21,228,502
Equity of investment account holders	37,363,489	5,492,134	5,105,328	1,478,553	–	49,439,504
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	55,806,268	8,041,938	5,142,617	1,677,183	–	70,668,006
MATURITY GAP	(36,419,773)	(3,245,047)	(2,151,052)	34,161,929	20,012,166	12,358,223

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31. MATURITY PROFILE (continued)

	Up to 3 months	3-6 months	6 months- 1 year	1-5 years	Over 5 years	Total
2014						
Cash and balances with QCB	559,957	–	–	–	2,751,354	3,311,311
Due from banks	3,602,772	–	–	–	–	3,602,772
Financing assets	14,315,575	5,075,421	3,350,039	16,395,863	18,770,042	57,906,940
Investment securities	2,307,335	825,484	–	9,154,882	2,000,610	14,288,311
Investment in associates and joint arrangements	–	–	–	–	423,998	423,998
Investment property	–	–	–	–	91,250	91,250
Fixed assets	–	–	–	–	119,236	119,236
Other assets	350,450	–	–	–	–	350,450
TOTAL ASSETS	21,136,089	5,900,905	3,350,039	25,550,745	24,156,490	80,094,268
Due to banks	4,478,013	82,280	–	–	–	4,560,293
Customer current accounts	4,878,252	–	–	–	–	4,878,252
Other liabilities	1,242,922	–	–	–	–	1,242,922
Total liabilities	10,599,187	82,280	–	–	–	10,681,467
Equity of investment account holders	47,547,366	5,506,884	3,951,739	686,312	–	57,692,301
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	58,146,553	5,589,164	3,951,739	686,312	–	68,373,768
MATURITY GAP	(37,010,464)	311,741	(601,700)	24,864,433	24,156,490	11,720,500

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32. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
Profit for the year attributable to owners of the Bank	2,073,369	2,002,243
Weighted average number of shares outstanding during the year (thousand) (a)	750,000	750,000
Basic earnings per share (QAR)	2.764	2.670

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

	2015 Nos'000	2014 Nos'000
Weighted average number of shares at 1 January / 31 December	750,000	750,000

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

33. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following balances with original maturities of less than three months:

	2015	2014
Cash on hand and balances with QCB excluding cash reserve	402,742	559,777
Due from bank	2,376,269	3,602,772
	2,779,011	4,162,549

The above balances include cash acquired from business combination as follows:

	2015	2014
Cash on hand	–	5,202
Due from banks	–	884,233
	–	889,435

Notes to the Consolidated Financial Statements

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34. 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 the significant owners and entities over which the Group and the owners exercise significant influence, directors and executive management of the Group.

Transactions with related parties

a) Consolidated statement of financial position items

	2015	2014
Liabilities		
Current account - customer	–	166
Equity of investment account holders - customer	1,100,819	2,476,007
	1,100,819	2,476,173

b) Consolidated income statement items

	2015	2014
Return on equity of investment account holders – customer	17,959	9,101

c) Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2015	2014
Financing	15,235	12,229

The remuneration of directors and other members of key management during the year were as follows:

	2015	2014
Remuneration to Board of Directors including meeting allowances (Note 28)	20,812	18,471
Salaries and other benefits	16,172	17,595

Notes to the Consolidated Financial Statements

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35. RISK MANAGEMENT INSTRUMENTS

A) Profit rate swap

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

B) Unilateral promise to buy/sell currencies

Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
2015							
Risk management instruments							
Profit rate swaps	256	256	4,077,612	–	–	3,782,940	294,672
Unilateral promise to buy/sell currencies	15,571	7,508	24,800,872	18,296,517	6,296,180	208,175	–
	15,827	7,764	28,878,484	18,296,517	6,296,180	3,991,115	294,672

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
2014							
Risk management instruments							
Profit rate swaps	14	14	4,505,943	–	239,122	3,972,151	294,670
Unilateral promise to buy/sell currencies	15,292	15,321	23,849,089	19,871,160	3,977,929	–	–
	15,306	15,335	28,355,032	19,871,160	4,217,051	3,972,151	294,670

Notes to the Consolidated Financial Statements

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36. ZAKAT

Zakat is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners in accordance with the Articles of Association.

37. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

38. SOCIAL RESPONSIBILITY

Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 51.8 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2015 (2014: QAR 50.1 million) for the support of sports, cultural and charitable activities.

39. COMPARATIVE FIGURES

The comparative figures presented for 2014 have been reclassified where necessary to preserve consistency with the 2015 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

Supplementary Financial Information

At 31 December

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FINANCIAL STATEMENTS OF THE PARENT BANK

A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2015	2014
ASSETS		
Cash and balances with QCB	2,710,127	3,226,457
Due from banks	2,077,932	3,291,397
Financing assets	58,474,019	55,494,239
Investment securities	13,458,970	12,960,475
Investment in subsidiaries and associates	1,446,967*	1,472,903
Investment property	–	91,250
Fixed assets	114,400	116,927
Other assets	291,888	287,533
TOTAL ASSETS	78,574,303	76,941,181
LIABILITIES		
Due to banks	13,274,502	4,672,728
Customer current accounts	5,407,472	4,518,133
Other liabilities	1,802,675	1,356,295
TOTAL LIABILITIES	20,484,649	10,547,156
EQUITY OF INVESTMENT ACCOUNT HOLDERS	46,292,267	55,183,751
OWNERS' EQUITY		
Share capital	7,500,000	7,500,000
Legal reserve	1,447,869	1,033,195
Risk reserve	1,136,540	1,008,646
Fair value reserves	5,246	7,374
Retained earnings	1,707,732	1,661,059
TOTAL OWNERS' EQUITY	11,797,387	11,210,274
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	78,574,303	76,941,181

Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned in pages 53 to 67 except for investment in subsidiaries and associates which are carried at cost, less impairment if any.

Supplementary Financial Information

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FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

B) INCOME STATEMENT OF THE PARENT BANK

	2015	2014
Net income from financing activities	2,199,418	2,021,620
Net income from investing activities	407,563	407,641
Total net income from financing and investing activities	2,606,981	2,429,261
Fee and commission income	210,261	191,436
Fee and commission expense	(929)	(1,223)
Net fee and commission income	209,332	190,213
Foreign exchange gain	107,839	86,789
Gain on sale of investment in an associate	186,143	186,143
Other income	9,299	11,001
TOTAL INCOME	3,119,594	2,903,407
Staff costs	(238,983)	(218,428)
Depreciation	(13,335)	(13,777)
Other expenses	(197,524)	(155,582)
Finance expense	(122,625)	(58,037)
TOTAL EXPENSES	(572,467)	(445,824)
Net recoveries / reversals / (impairment losses) on financing assets	2,441	(12,466)
Net impairment losses on investments	(27,576)*	–
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	2,521,992	2,445,117
Less: Return to investment account holders	(574,137)	(481,971)
NET PROFIT FOR THE YEAR	1,947,855	1,963,146

* This includes impairment loss recognized against investment in a subsidiary amounting to QAR 24 million representing accumulated losses up to 31 December 2015.