

CONSOLIDATED FINANCIAL STATEMENTS

MASRAF AL RAYAN (Q.S.C.)

31 DECEMBER 2015

Masraf Al Rayan (Q.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

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KPMG
25 C Ring Road
PO Box 4473, Doha
State of Qatar
Telephone: +974 4457 6444
Fax: 974 4442 5626
Website: www.kpmg.com.qa

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.

18 January 2016
Doha
State of Qatar

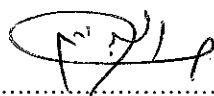
Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	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

	Notes	2015	2014
Net income from financing activities	22	2,333,464	2,101,135
Net income from investing activities	23	<u>408,612</u>	<u>470,947</u>
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		<u>(1,418)</u>	<u>(1,522)</u>
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	<u>6,793</u>	<u>7,435</u>
TOTAL INCOME		<u>3,336,791</u>	<u>3,077,619</u>
Staff costs	27	(291,904)	(262,790)
Depreciation	14	(15,472)	(16,112)
Other expenses	28	(244,813)	(199,990)
Finance expense		<u>(118,205)</u>	<u>(55,044)</u>
TOTAL EXPENSES		<u>(670,394)</u>	<u>(533,936)</u>
Net recoveries and reversals / (impairment losses) on financing assets	10(b)	567	(12,394)
Net impairment losses on investment securities	11	<u>(47,344)</u>	<u>(508)</u>
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		2,619,620	2,530,781
Less: Return to investment account holders	19(c)	<u>(618,625)</u>	<u>(511,474)</u>
PROFIT BEFORE TAX FOR THE YEAR		2,000,995	2,019,307
Tax credit / (expense)		<u>25,142</u>	<u>(2,116)</u>
NET PROFIT FOR THE YEAR		<u>2,026,137</u>	<u>2,017,191</u>
Net profit for the year attributable to:			
Equity holders of the Bank		2,073,369	2,002,243
Non-controlling interests		<u>(47,232)</u>	<u>14,948</u>
		<u>2,026,137</u>	<u>2,017,191</u>
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	32	<u>2.764</u>	<u>2.670</u>

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

	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

	<i>Notes</i>	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

2 BASIS OF PREPARATION (continued)**(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(a) Basis of consolidation (continued)**

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.

(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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Investment securities (continued)****(i) Classification (continued)***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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Investment securities (continued)****(iii) Measurement (continued)***Subsequent measurement*

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

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in owners' equity and presented in a separate 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).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(d) Financing assets (continued)***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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Other financial assets and liabilities (continued)****(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Equity of investment account holders (continued)**

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(q) Employees benefits (continued)***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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(s) Revenue recognition (continued)***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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(cc) New standards and interpretations (continued)**

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

4 FINANCIAL RISK MANAGEMENT (continued)**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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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
	<u>81,523,731</u>	<u>78,445,042</u>
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
	<u>40,154,887</u>	<u>42,418,010</u>

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

	<i>Qatar</i>	<i>Other GCC</i>	<i>Other Middle East</i>	<i>Others</i>	<i>Total</i>
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
	<u>68,748,048</u>	<u>1,586,019</u>	<u>3,311,333</u>	<u>7,878,331</u>	<u>81,523,731</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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)

	<i>Qatar</i>	<i>Other GCC</i>	<i>Other Middle East</i>	<i>Others</i>	<i>Total</i>
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
	<u>69,613,867</u>	<u>2,107,034</u>	<u>54,550</u>	<u>6,669,591</u>	<u>78,445,042</u>
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
	<u>33,214,079</u>	<u>74,215</u>	<u>661,512</u>	<u>6,205,081</u>	<u>40,154,887</u>
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
	<u>37,209,394</u>	<u>20,747</u>	<u>747,266</u>	<u>4,440,603</u>	<u>42,418,010</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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.

	<i>Gross exposure 2015</i>	<i>Gross exposure 2014</i>
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	<u>40,154,887</u>	<u>42,418,010</u>
Total	<u><u>121,678,618</u></u>	<u><u>120,863,052</u></u>

Credit risk exposure

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

	<i>2015</i>	<i>2014</i>
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	<u>67,237,977</u>	<u>65,194,155</u>
	<u><u>121,678,618</u></u>	<u><u>120,863,052</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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

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	<u>186,809</u>	<u>64,388</u>
Gross	<u><u>546,029</u></u>	<u><u>324,445</u></u>

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	<u>11,100</u>	<u>11,008</u>
	<u><u>18,418</u></u>	<u><u>20,634</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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.

Past due category:	<i>Aggregate collateral</i>	
	<i>2015</i>	<i>2014</i>
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
	<u>730,586</u>	<u>176,458</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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:

2015	Carrying amount	Less than 3 months	3 to 12 months	Re-pricing in:		Over 5 years	Non-profit sensitive	Effective profit rate
				1 to 5 years	years			
Cash and balances with QCB	2,736,915	-	-	-	-	-	2,736,915	1.35%
Due from banks	2,376,269	1,352,443	-	364,050	-	-	659,776	3.97%
Financing assets	62,261,455	19,410,116	7,214,704	24,988,252	10,648,383	-	14,052,106	3.24%
Investment securities	14,120,957	68,851	-	-	-	-	-	-
	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)	(6,183,762)	1.30%
Customer current accounts	(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)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

2014	Carrying amount	Less than 3 months	3 to 12 months	Re-pricing in:		Over 5 years	Non-profit sensitive	Effective profit rate
				1 to 5 years	years			
Cash and balances with QCB	3,311,311	-	-	-	-	-	3,311,311	0.71%
Due from banks	3,602,772	3,165,285	-	-	-	-	437,487	3.81%
Financing assets	57,906,940	16,435,908	8,611,601	16,193,760	16,665,671	-	13,517,854	3.48%
Investment securities	13,612,916	95,062	-	-	-	-	-	-
	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)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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:

	<i>Increase / (decrease) in profit or loss</i>	
	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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:

	<i>2015</i>	<i>2014</i>
At 31 December	85%	104%
Average for the year	88%	109%
Maximum for the year	97%	128%
Minimum for the year	78%	101%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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.

2015	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

2014	Carrying amount	Less than one month	1-3 months	3 months to 1 year	1-5 years	More than 5 years
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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.

	<i>Carrying amount</i>	<i>Gross undiscounted cash flows</i>	<i>Less than one month</i>	<i>One to 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 Years</i>	<i>Over 5 years</i>
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	(15,165)	(1,587)	(5,403)	(8,175)	-	-
Outflow		23,228	4,343	5,503	13,382	-	-
Inflow							
	70,676,069	70,885,212	41,932,192	16,562,928	11,320,579	1,069,513	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

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

2014	Carrying amount	Gross undiscouted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
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	(29)						
Risk management:		(15,335)	(2,677)	(10,725)	(1,933)	-	-
Outflow		15,306	2,591	10,681	2,034	-	-
Inflow	68,373,739	68,514,428	46,886,302	12,554,292	8,462,544	611,290	-

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At 31 December 2015

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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

	<i>Basel III/II Risk weighted amount</i>		<i>Carrying amount</i>	
	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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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.
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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)

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:

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
2015				
Risk management instruments	-	15,827	-	15,827
Investment securities	499,149	-	-	499,149
	<u>499,149</u>	<u>15,827</u>	<u>-</u>	<u>514,976</u>
Risk management instruments	-	7,764	-	7,764
	<u>-</u>	<u>7,764</u>	<u>-</u>	<u>7,764</u>
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
2014				
Risk management instruments	-	15,306	-	15,306
Investment securities	670,520	-	-	670,520
	<u>670,520</u>	<u>15,306</u>	<u>-</u>	<u>685,826</u>
Risk management instruments	-	15,335	-	15,335
	<u>-</u>	<u>15,335</u>	<u>-</u>	<u>15,335</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

6 OPERATING SEGMENTS (continued)

Information about operating segments

2015	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Unallocated</i>	<i>Total</i>
<i>External revenue:</i>						
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
<i>Other material non-cash items:</i>						
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

6 OPERATING SEGMENTS (continued)

Information about operating segments (continued)

2014	<i>Corporate Banking</i>	<i>Retail Banking</i>	<i>Asset Management</i>	<i>International operations</i>	<i>Unallocated</i>	<i>Total</i>
<i>External revenue:</i>						
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
<i>Other material non-cash items:</i>						
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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:

	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
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
	<i>Fair value through income statement</i>	<i>Fair value through equity</i>	<i>Amortised cost</i>	<i>Total carrying amount</i>	<i>Fair value</i>
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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
	<u>2,736,915</u>	<u>3,311,311</u>

* 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
	<u>2,376,269</u>	<u>3,602,772</u>

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	<u>67,030,080</u>	<u>62,933,378</u>
Deferred profit	(4,715,175)	(4,973,758)
Allowance for impairment and profit in suspense (note b)	<u>(53,450)</u>	<u>(52,680)</u>
Net receivables and balances from financing activities	<u>62,261,455</u>	<u>57,906,940</u>

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

	<i>Specific and collective impairment</i>	<i>Profit in suspense</i>	<i>Total 2015</i>
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	<u>49,918</u>	<u>3,532</u>	<u>53,450</u>

	<i>Specific and collective impairment</i>	<i>Profit in suspense</i>	<i>Total 2014</i>
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	<u>49,520</u>	<u>3,160</u>	<u>52,680</u>

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

	<i>Corporate and SME</i>	<i>Retail</i>	<i>Total 2015</i>
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	<u>41,098</u>	<u>12,352</u>	<u>53,450</u>

	<i>Corporate and SME</i>	<i>Retail</i>	<i>Total 2014</i>
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	<u>44,129</u>	<u>8,551</u>	<u>52,680</u>

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At 31 December 2015

10 FINANCING ASSETS (continued)

(d) By sector

	<i>Murabaha</i>	<i>Ijarah</i>	<i>Istisna'a</i>	<i>Musharaka</i>	<i>Others</i>	<i>Total 2015</i>
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
	<u>53,883,355</u>	<u>6,804,106</u>	<u>1,698,043</u>	<u>4,561,423</u>	<u>83,153</u>	<u>67,030,080</u>
Less: Deferred profit						(4,715,175)
Allowance for impairment on financing assets						(53,450)
						<u>62,261,455</u>
	<i>Murabaha</i>	<i>Ijarah</i>	<i>Istisna'a</i>	<i>Musharaka</i>	<i>Others</i>	<i>Total 2014</i>
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
	<u>53,135,412</u>	<u>4,814,709</u>	<u>1,300,702</u>	<u>3,614,539</u>	<u>68,016</u>	<u>62,933,378</u>
Less: Deferred profit						(4,973,758)
Allowance for impairment on financing assets						(52,680)
						<u>57,906,940</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

11 INVESTMENT SECURITIES

	2015			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<i>Investments classified as fair value through income statement</i>						
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
<i>Debt-type investments classified at amortised cost</i>						
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
<i>Equity-type investments classified as fair value through equity</i>						
	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	<u>168,547</u>	<u>100,243</u>	<u>1,171,982</u>	<u>825,414</u>	<u>46,805</u>	
Total liabilities	<u>4,463</u>	<u>51,894</u>	<u>434,491</u>	<u>537,773</u>	<u>7,478</u>	
Total revenue	<u>28,788</u>	<u>63,959</u>	<u>71,978</u>	<u>66,862</u>	<u>38,552</u>	
Net profit / (loss)	<u>10,844</u>	<u>2,230</u>	<u>29,081</u>	<u>39,694</u>	<u>16,292</u>	
Share of profit / (loss)	<u>2,169</u>	<u>1,115</u>	<u>39,215</u>	<u>7,939</u>	<u>5,210</u>	
2014	NMH	Ci San	Kirnaf	Daman	Linc	Seef*
Total assets	<u>169,764</u>	<u>53,323</u>	<u>977,162</u>	<u>638,359</u>	<u>29,475</u>	<u>-</u>
Total liabilities	<u>5,355</u>	<u>7,217</u>	<u>321,369</u>	<u>373,245</u>	<u>6,440</u>	<u>-</u>
Total revenue	<u>5,970</u>	<u>64,096</u>	<u>-</u>	<u>54,801</u>	<u>35,557</u>	<u>-</u>
Net profit / (loss)	<u>4,012</u>	<u>2,730</u>	<u>-</u>	<u>30,643</u>	<u>17,834</u>	<u>-</u>
Share of profit / (loss)	<u>797</u>	<u>1,348</u>	<u>-</u>	<u>3,847</u>	<u>5,717</u>	<u>(2,096)</u>

*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	<u>91,250</u>	<u>91,250</u>
Disposal during the year	<u>(91,250)</u>	<u>-</u>
Balance at 31 December	<u>-</u>	<u>91,250</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

14 FIXED ASSETS

	<i>Land and building</i>	<i>Leasehold improvements</i>	<i>Furniture, fixtures and office equipment</i>	<i>Computer equipment</i>	<i>Work in progress</i>	<i>Total</i>
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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
	<u>413,381</u>	<u>353,576</u>
Less: Allowance for impairment losses	<u>(3,126)</u>	<u>(3,126)</u>
	<u>410,255</u>	<u>350,450</u>

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
	<u>13,344,591</u>	<u>4,560,293</u>

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
	<u>6,183,762</u>	<u>4,878,252</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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
	<u>1,700,149</u>	<u>1,242,922</u>

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	<u>(2,207)</u>	<u>(1,884)</u>
Balance at 31 December	<u>32,309</u>	<u>27,130</u>

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
	<u>49,439,504</u>	<u>57,692,301</u>

	2015	2014
(b) By sector		
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
	<u>49,439,504</u>	<u>57,692,301</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

19 EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)**(b) By sector (continued)**

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	<u>(1,891,529)</u>	<u>(1,749,847)</u>
Return on investment account holders	147,945	126,880
Support provided by Masraf	<u>470,680</u>	<u>384,594</u>
Return on investment account holders after Masraf's support	<u>618,625</u>	<u>511,474</u>
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	<u>7,500,000</u>	<u>7,500,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

20 OWNERS' EQUITY (continued)**(b) Legal reserve**

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

- (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	<u>28,805</u>	<u>26,888</u>
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	<u>(16,215)</u>	<u>1,917</u>
Balance at 31 December (shareholders' share)	<u>12,590</u>	<u>28,805</u>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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	<u>(10,927)</u>	<u>10,151</u>
Balance at 31 December	<u>80,468</u>	<u>41,165</u>

(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	<u>172,756</u>	<u>119,647</u>
	<u>2,333,464</u>	<u>2,101,135</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

23 NET INCOME FROM INVESTING ACTIVITIES

	<i>2015</i>	<i>2014</i>
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	<u>(59,775)</u>	<u>3,576</u>
	<u>408,612</u>	<u>470,947</u>

24 NET FEE AND COMMISSION INCOME

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

25 FOREIGN EXCHANGE GAIN

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

26 OTHER INCOME

	<i>2015</i>	<i>2014</i>
Rental income	2,777	2,799
Miscellaneous	<u>4,016</u>	<u>4,636</u>
	<u>6,793</u>	<u>7,435</u>

27 STAFF COSTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

28 OTHER EXPENSES

	<i>2015</i>	<i>2014</i>
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
	<u>244,813</u>	<u>199,990</u>

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:

	<i>2015</i>	<i>2014</i>
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
	<u>56,380</u>	<u>44,575</u>

(b) Contingent liabilities

	<i>2015</i>	<i>2014</i>
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
	<u>40,154,887</u>	<u>42,418,010</u>

(c) Other undertakings and commitments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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

Geographical sector (continued)

2014	Qatar	Other GCC	Europe	North America	Others	Total
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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)

2014	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

31 MATURITY PROFILE

2015

	Up to 3 months	3-6 months	6 months-1 year	1-5 years	Over 5 years	Total
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

31 MATURITY PROFILE (continued)

2014

	Up to 3 months	3-6 months	6 months-1 year	1-5 years	Over 5 years	Total
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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.

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

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

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

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:

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

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

	<i>2015</i>	<i>2014</i>
Cash on hand	-	5,202
Due from banks	-	<u>884,233</u>
	<u>-</u>	<u>889,435</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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	<u>1,100,819</u>	<u>2,476,007</u>
	<u>1,100,819</u>	<u>2,476,173</u>

(b) Consolidated income statement items

	2015	2014
Return on equity of investment account holders - customer	<u>17,959</u>	<u>9,101</u>

(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	<u>15,235</u>	<u>12,229</u>

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)	<u>20,812</u>	<u>18,471</u>
Salaries and other benefits	<u>16,172</u>	<u>17,595</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2015

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.

	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>	<i>Within three months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>
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
	<i>Positive fair value</i>	<i>Negative fair value</i>	<i>Notional amount</i>	<i>Within three months</i>	<i>3 - 12 months</i>	<i>1 - 5 years</i>	<i>Over 5 years</i>
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

At 31 December 2015

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

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	<u>78,574,303</u>	<u>76,941,181</u>
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	<u>20,484,649</u>	<u>10,547,156</u>
EQUITY OF INVESTMENT ACCOUNT HOLDERS	<u>46,292,267</u>	<u>55,183,751</u>
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	<u>11,797,387</u>	<u>11,210,274</u>
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	<u>78,574,303</u>	<u>76,941,181</u>

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 8 to 23 except for investment in subsidiaries and associates which are carried at cost, less impairment if any.

SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December

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	<u>407,563</u>	<u>407,641</u>
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	<u>(929)</u>	<u>(1,223)</u>
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	<u>9,299</u>	<u>11,001</u>
TOTAL INCOME	<u>3,119,594</u>	<u>2,903,407</u>
Staff costs	(238,983)	(218,428)
Depreciation	(13,335)	(13,777)
Other expenses	(197,524)	(155,582)
Finance expense	<u>(122,625)</u>	<u>(58,037)</u>
TOTAL EXPENSES	<u>(572,467)</u>	<u>(445,824)</u>
Net recoveries / reversals / (impairment losses) on financing assets	2,441	(12,466)
Net impairment losses on investments	<u>(27,576) *</u>	<u>-</u>
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	2,521,992	2,445,117
Less: Return to investment account holders	<u>(574,137)</u>	<u>(481,971)</u>
NET PROFIT FOR THE YEAR	<u>1,947,855</u>	<u>1,963,146</u>

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