

CONSOLIDATED FINANCIAL STATEMENTS

MASRAF AL RAYAN (Q.P.S.C.)

31 DECEMBER 2016

Masraf Al Rayan (Q.P.S.C.)

CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2016

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Masraf Al Rayan (Q.P.S.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Masraf Al Rayan (Q.P.S.C.) (the 'Bank') and its subsidiaries (together the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

Basis for Opinion

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

Key Audit Matters

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

<p><u>Impairment of financing assets - refer to notes 3(f), 4.2.5, 5 and 10 in the consolidated financial statements</u></p>	<p><u>How the matter was addressed in our audit</u></p>
<p>We focused on this area because:</p> <ul style="list-style-type: none"> • Financing assets are QAR 67,634.6 million representing 73.9 percent of the Group's total assets as at 31 December 2016, hence a material portion of the statement of financial position. The net impairment charge on financing assets during the year was QAR 1.55 million. • The Group makes complex and subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment. 	<p>Our audit procedures in this area included, among others:</p> <ul style="list-style-type: none"> • Our team used their local knowledge to assess the trends in their local credit environment and considered the likely impact on the Group's financing portfolio to focus their testing on key risk areas. • For the corporate portfolio: <ul style="list-style-type: none"> - we tested the key controls over the credit grading and monitoring process; - we tested the governance controls over the impairment processes, including the continuous re-assessment by the Group that impairment policies remain appropriate for the risks within the Group's financing assets portfolio; - we performed detailed credit assessments of a sample of performing and non-performing financing assets in line with QCB regulations; - as part of our credit assessments for these selected financing assets, we critically challenged the reasonableness of the forecast of recoverable cash flows, realization of collateral and other possible sources of repayment. We tested the consistency of key assumptions and compared them to progress against business plans and our own understanding of the relevant industries and business environments. We also agreed them where possible to externally derived evidence. • For the retail portfolio, the impairment process is based on historical payment performance of each segment within the portfolio, adjusted for current market and economic conditions. We tested the accuracy of key variables relevant for the retail financing portfolio (e.g. year-end balances, repayment history, past-due status) and we assessed the



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

	<p>appropriateness of the impairment calculation methodology. We evaluated whether the output is consistent with historical payment performance, and we challenged the appropriateness of the Group's adjustments to reflect current market and economic conditions.</p> <ul style="list-style-type: none">• We assessed the adequacy of the Group's disclosure in relation to impairment of financing assets by reference to the requirements of the relevant accounting standards and QCB regulations.
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Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon. Prior to the date of this auditor's report, we obtained the report of the Board of Directors which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Report on other legal and regulatory requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have read the report of the Board of Directors to be included in the Annual Report, and 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 provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2016.

16 January 2017
Doha
State of Qatar

A handwritten signature in black ink, appearing to read 'Gopal Balasubramaniam'.

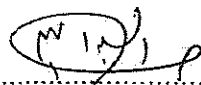
Gopal Balasubramaniam
KPMG Qatar
Auditors' Registry No. 251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

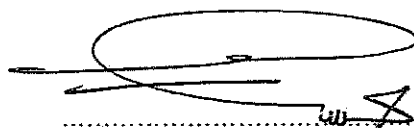
As at 31 December

	<i>Notes</i>	<i>2016</i>	<i>2015</i>
ASSETS			
Cash and balances with Qatar Central Bank	8	3,126,085	2,736,915
Due from banks	9	5,692,239	2,376,269
Financing assets	10	67,634,561	62,566,639
Investment securities	12	14,012,110	14,624,801
Investment in associates	13	508,560	469,052
Fixed assets	14	148,194	147,482
Other assets	15	408,986	410,255
TOTAL ASSETS		<u>91,530,735</u>	<u>83,331,413</u>
LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY			
LIABILITIES			
Due to banks	16	19,059,705	13,344,591
Customer current accounts	17	10,533,627	6,183,762
Other liabilities	18	1,573,592	2,005,333
TOTAL LIABILITIES		<u>31,166,924</u>	<u>21,533,686</u>
EQUITY OF INVESTMENT ACCOUNT HOLDERS	19	<u>47,490,298</u>	<u>49,439,504</u>
EQUITY			
Share capital	20	7,500,000	7,500,000
Legal reserve	20	1,862,926	1,447,869
Risk reserve	20	1,345,733	1,136,540
Fair value reserves	20	1,983	12,590
Foreign currency translation reserve	20	(14,942)	(1,479)
Other reserves	20	107,146	80,468
Retained earnings		<u>1,902,070</u>	<u>1,867,805</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		<u>12,704,916</u>	<u>12,043,793</u>
Non-controlling interests	21	168,597	314,430
TOTAL EQUITY		<u>12,873,513</u>	<u>12,358,223</u>
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY		<u>91,530,735</u>	<u>83,331,413</u>

These consolidated financial statements were approved by the Board of Directors on 16 January 2017 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

	<i>Notes</i>	2016	2015
Net income from financing activities	22	2,620,627	2,333,464
Net income from investing activities	23	533,918	408,612
Total net income from financing and investing activities		3,154,545	2,742,076
Fee and commission income		314,288	239,671
Fee and commission expense		(1,765)	(1,418)
Net fee and commission income	24	312,523	238,253
Foreign exchange gain	25	133,926	107,878
Share of results of associates	13	52,377	55,648
Gain on sale of investment in an associate		93,071	186,143
Other income	26	8,599	6,793
TOTAL INCOME		3,755,041	3,336,791
Staff costs	27	(284,914)	(291,904)
Depreciation	14	(16,318)	(15,472)
Other expenses	28	(161,465)	(244,813)
Finance expense		(356,390)	(118,205)
TOTAL EXPENSES		(819,087)	(670,394)
Net (impairment losses) / recoveries and reversals on financing assets	10(b)	(1,551)	567
Net impairment losses on investment securities	12	(1,127)	(47,344)
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		2,933,276	2,619,620
Less: Return to investment account holders	19(c)	(860,916)	(618,625)
PROFIT BEFORE TAX FOR THE YEAR		2,072,360	2,000,995
Tax credit / (expense)		3,695	25,142
NET PROFIT FOR THE YEAR		2,076,055	2,026,137
Net profit for the year attributable to:			
Equity holders of the Bank		2,075,286	2,073,369
Non-controlling interests		769	(47,232)
		2,076,055	2,026,137
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	32	2.767	2.764

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

Masraf Al Rayan (Q.P.S.C.)

QAR '000s

CONSOLIDATED STATEMENT OF CHANGES IN 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 equity
Balance at 1 January 2016	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
Change in foreign currency translation reserve	-	-	-	-	(173,353)	-	-	(173,353)	-	(173,353)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	159,890	-	-	159,890	-	159,890
Fair value reserve movement (Note 12)	-	-	-	(10,607)	-	-	-	(10,607)	-	(10,607)
Profit for the year	-	-	-	-	-	-	2,075,286	2,075,286	769	2,076,055
Dividend declared and approved for 2015	-	-	-	-	-	-	(1,312,500)	(1,312,500)	-	(1,312,500)
Transfer to legal reserve	-	415,057	-	-	-	-	(415,057)	-	-	-
Transfer to risk reserve	-	-	209,193	-	-	-	(209,193)	-	-	-
Net movement in other reserves	-	-	-	26,678	-	-	(26,678)	-	-	-
Social and sports fund appropriation (Note 38)	-	-	-	-	-	-	(51,882)	(51,882)	-	(51,882)
Partial disposal of a subsidiary (Note 1)	-	-	-	-	-	-	(25,711)	(25,711)	25,711	-
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	(172,313)	(172,313)
Balance at 31 December 2016	7,500,000	1,862,926	1,345,733	1,983	(14,942)	107,146	1,902,070	12,704,916	168,597	12,873,513
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 12)	-	-	-	(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

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>	<i>2016</i>	<i>2015</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		2,072,360	2,000,995
Adjustments for:			
Net impairment losses / (recoveries and reversals) on financing assets		1,551	(567)
Net impairment losses on investment securities		1,127	47,344
Fair value loss / (gain) on investment securities carried as fair value through income statement		(513)	59,775
Unrealized loss / (gain) on revaluation of Shari'a compliant risk management instruments		6,678	(8,092)
Depreciation	14	16,318	15,472
Net gain on sale of investment securities		(11,817)	(17,465)
Dividend income	23	(4,891)	(23,872)
Share of results of associates	13	(52,377)	(55,648)
Gain on sale of investment in an associate		(93,071)	(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		(1,502)	(1,328)
Employees' end of service benefit provisions		5,894	7,386
Profit before changes in operating assets and liabilities		1,939,757	1,836,236
Change in reserve account with Qatar Central Bank		(32,301)	417,361
Change in financing assets		(5,066,997)	(4,660,337)
Change in other assets		4,091	(59,284)
Change in due to banks		5,715,114	8,784,298
Change in customer current accounts		4,349,865	1,305,510
Change in other liabilities		(609,640)	604,035
		6,299,889	8,227,819
Dividend received		4,891	23,872
Employees' end of service benefits paid		(2,210)	(2,207)
Tax paid		(1,193)	(1,337)
Net cash from operating activities		6,301,377	8,248,147
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(805,991)	(5,212,104)
Proceeds from sale / redemption of investment securities		1,170,625	4,928,566
Acquisition of fixed assets	14	(22,366)	(43,772)
Dividend received from an associate	13	13,458	9,429
Proceeds from sale of investment property		-	92,911
Net cash from / (used in) investing activities		355,726	(224,970)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		(1,948,773)	(8,252,115)
Dividends paid		(1,194,779)	(1,177,087)
Net movement in non-controlling interest		(146,602)	(6,323)
Net cash used in financing activities		(3,290,154)	(9,435,525)
Net increase / (decrease) in cash and cash equivalents		3,366,949	(1,412,348)
Cash and cash equivalents at 1 January		2,779,011	4,162,549
NON-CASH ITEMS			
Investment in subsidiaries reclassified to investment securities		230,093	-
Partial disposal of a subsidiary	1	(25,711)	-
Effects of exchange rate changes on cash and cash equivalents held		101,508	28,810
Cash and cash equivalents at 31 December	33	6,451,850	2,779,011

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

1 REPORTING ENTITY

Masraf Al Rayan (Q.P.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 2016 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:

<i>Entity’s name</i>	<i>Country of incorporation</i>	<i>Entity’s capital</i>	<i>Entity’s activities</i>	<i>Effective percentage of ownership</i>	
				<i>2016</i>	<i>2015</i>
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage ¹	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan GCC Fund (F) ²	Qatar	Not applicable	Investment activities	-	55.4%
Al Rayan GCC Fund (Q) ²	Qatar	Not applicable	Investment activities	-	16.5%
Al Rayan (UK) Limited ³	UK	GBP 100,000,000	Investment activities	70.0% ⁴	100.0%
Al Rayan Partners	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%

¹ On 28 December 2016, the Qatar Financial Markets Authority (“QFMA”) approved to freeze Al Rayan Financial Brokerage’s (“ARFB”) license for two years. The management has decided to freeze ARFB’s operations from 12 January 2017.

² Reclassified during the year as equity-type investments classified as fair value through equity (unquoted) (Note 11)

³ Al Rayan (UK) Limited owns 98.34% (31 December 2015: 98.34%) of its subsidiary, Al Rayan Bank PLC (formerly known as Islamic Bank of Britain PLC). Effectively, the Bank owns 68.84% (31 December 2015: 98.34%) of Al Rayan Bank PLC.

⁴ The Bank sold 30% of its ownership in Al Rayan (UK) Limited on 29 December 2016 resulting to a change in effective ownership in Al Rayan Bank PLC from 98.34% to 68.84%. Accordingly, the Bank adjusted the carrying amounts of the total equity attributable to equity holders of the Bank and non-controlling interests to reflect the changes in the ownership.

The Bank and two other local unlisted banks, namely Barwa Bank Q.S.C. and International Bank of Qatar Q.S.C., announced on 19 December 2016 that they have entered into initial negotiations regarding a potential merger of the three banks. The potential merger is subject to the approval of the Qatar Central Bank (“QCB”), the QFMA, the Ministry of Economy and Commerce and other relevant official bodies in the State of Qatar, and the approval of the shareholders in each of the three banks after completion of a detailed legal and financial due diligence. If the merger is approved, the new merged entity will maintain all its dealings in compliance with Shari’a principles.

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”) and the applicable provisions of QCB regulations (“QCB regulations”). For matters for which no AAOIFI standards exist, the Group applies the relevant International Financial Reporting Standards (“IFRSs”).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

2 BASIS OF PREPARATION (continued)**(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 Shari’a-compliant risk management instruments.

(c) Functional and presentational currency

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

(d) Use of estimates and judgments

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

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

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

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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(a) Basis of consolidation (continued)****(iii) Non-controlling interests**

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in 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 holders 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 equity. Gains or losses on disposals to non-controlling interests are also recorded in 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 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.

(iv) 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.

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(a) Basis of consolidation (continued)****(v) Associates and joint arrangements (equity-accounted investees) (continued)**

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.

(vi) Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors.

(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 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 equity, and presented in the foreign exchange translation reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(c) Investment securities**

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

(i) Classification

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

Debt-type instruments

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

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

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

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. 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 2016

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 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 2016

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 2016

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 2016

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 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(h) Shari'a-compliant risk management instruments**

Shari'a-compliant risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's Shari'a-compliant risk management instruments include unilateral promise to buy/sell currencies and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, Shari'a-compliant 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 unilateral promise to buy/sell currencies which are designated as the hedging instrument in a hedge of a net investment in a foreign operation.

(i) 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.

(j) 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.

(k) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

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

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

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

(m) 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 its equity holders.
- 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.

(n) 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.

(o) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(p) Employees benefits***Defined contribution plans*

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

Defined benefit plan

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

(q) 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 equity holders.

(r) 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 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) 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.

(s) 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 LLC 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.

(t) 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 equity holders 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 equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) 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.

(v) 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 2016

3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(w) 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 Shari'a-compliant risk management instruments.

(x) 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.

(y) 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.

(z) 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.

(aa) Comparatives

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

(bb) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2016

Financial Accounting Standard No. 27 (FAS 27): Investment Accounts

FAS 27 updates and replaces 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 accountholders 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.

During the year, the Group applied FAS 27 as it is effective from financial periods beginning from 1 January 2016. Accordingly, adoption of FAS 27 did not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 SIGNIFICANT ACCOUNTING POLICIES (continued)**(bb) New standards and interpretations (continued)***New standards, amendments and interpretations issued but not yet effective**International Financial Reporting Standard No. 9 (IFRS 9): Financial Instruments*

The final version of IFRS 9 was issued in July 2014, replacing the earlier versions of introducing new classification and measurement requirements (issued in 2009 and 2010) and a new hedge accounting model (issued in 2013) and has an effective date of 1 January 2018. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model based on expected credit losses for recognising loan loss provisions and provides for simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

The application of IFRS 9 may have significant impact on amounts reported in the consolidated financial statements and will result in more extensive disclosures in the consolidated financial statements. However, the Group is currently in the process of evaluating and implementing the required changes in its systems, policies and processes to comply with IFRS 9 and regulatory requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

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.

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At 31 December 2016

4 FINANCIAL RISK MANAGEMENT (continued)**4.1 Introduction and overview (continued)****Risk management and structure (continued)***Internal audit*

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

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

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

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

4.2 Credit risk

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

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 financing: cash or securities.
- For commercial financing: mortgages over real estate properties, inventory, cash or securities.
- For retail financing: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 FINANCIAL RISK MANAGEMENT (continued)**4.2 Credit risk (continued)****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

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4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

	2016	2015
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)	2,766,466	2,412,808
Due from banks	5,692,239	2,376,269
Financing assets	67,634,561	62,566,639
Investment securities - debt	13,893,492	14,213,644
Other assets	269,312	259,555
	<u>90,256,070</u>	<u>81,828,915</u>
Other credit risk exposures are as follows:		
Guarantees	16,278,696	17,103,678
Letters of credit	3,604,802	7,325,730
Unutilized credit facilities	7,825,568	15,420,295
	<u>27,709,066</u>	<u>39,849,703</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>
2016					
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	2,766,466	-	-	-	2,766,466
Due from banks	1,601,443	1,963,853	1,699	2,125,244	5,692,239
Financing assets	56,982,743	188,910	3,378,307	7,084,601	67,634,561
Investment securities - debt	12,738,723	669,090	45,777	439,902	13,893,492
Other assets	258,216	-	-	11,096	269,312
	<u>74,347,591</u>	<u>2,821,853</u>	<u>3,425,783</u>	<u>9,660,843</u>	<u>90,256,070</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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>
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	52,195,552	169,921	3,267,504	6,933,662	62,566,639
Investment securities - debt	13,144,872	721,353	41,205	306,214	14,213,644
Other assets	259,555	-	-	-	259,555
	<u>69,053,232</u>	<u>1,586,019</u>	<u>3,311,333</u>	<u>7,878,331</u>	<u>81,828,915</u>
2016					
Guarantees	10,535,064	12,691	652,330	5,078,611	16,278,696
Letters of credit	3,348,171	7,360	3,435	245,836	3,604,802
Unutilized credit facilities	7,462,061	178,373	-	185,134	7,825,568
	<u>21,345,296</u>	<u>198,424</u>	<u>655,765</u>	<u>5,509,581</u>	<u>27,709,066</u>
2015					
Guarantees	10,760,274	13,233	661,512	5,668,659	17,103,678
Letters of credit	7,137,083	-	-	188,647	7,325,730
Unutilized credit facilities	15,011,538	60,982	-	347,775	15,420,295
	<u>32,908,895</u>	<u>74,215</u>	<u>661,512</u>	<u>6,205,081</u>	<u>39,849,703</u>

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At 31 December 2016

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 2016</i>	<i>Gross exposure 2015</i>
Funded and unfunded		
Government	20,883,966	21,682,022
Government agencies	26,575,127	24,070,789
Industry	2,277,711	1,045,817
Commercial	3,605,003	2,782,353
Services	12,451,379	10,843,100
Contracting	976,200	803,742
Real estate	16,244,455	14,534,980
Personal	6,898,508	5,432,638
Others	343,721	633,474
Contingent liabilities	<u>27,709,066</u>	<u>39,849,703</u>
Total	<u><u>117,965,136</u></u>	<u><u>121,678,618</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>2016</i>	<i>2015</i>
Equivalent grades		
AAA to AA-	49,085,421	45,864,229
A+ to A-	6,951,079	6,542,131
BBB to BBB-	2,297,609	1,704,229
BB+ to B-	207,957	330,052
Unrated	<u>59,423,070</u>	<u>67,237,977</u>
	<u><u>117,965,136</u></u>	<u><u>121,678,618</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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	
	2016	2015	2016	2015	2016	2015	2016	2015
Neither past due nor impaired (low risk):								
Investment grade	31,979,941	30,344,498	-	-	12,483,786	12,812,729	-	-
Standard monitoring	34,392,531	31,349,785	5,692,239	2,376,269	1,384,223	1,375,432	269,312	259,555
Special monitoring	11,276	320,023	-	-	-	-	-	-
Carrying amount	66,383,748	62,014,306	5,692,239	2,376,269	13,868,009	14,188,161	269,312	259,555
Past due but not impaired (special mentioned):								
Investment grade	-	-	-	-	-	-	-	-
Standard monitoring	1,094,985	515,171	-	-	-	-	-	-
Special monitoring	93,543	30,858	-	-	-	-	-	-
Carrying amount	1,188,528	546,029	-	-	-	-	-	-
Impaired								
Substandard (overdue > 3 months)	58,428	7,718	-	-	-	-	-	-
Doubtful (overdue > 6 months)	29,989	1,598	-	-	-	-	-	-
Loss (overdue > 9 months)	24,328	50,438	-	-	50,967	50,967	3,126	3,126
	112,745	59,754	-	-	50,967	50,967	3,126	3,126
Less: impairment allowance-specific	(50,460)	(53,450)	-	-	(25,484)	(25,484)	(3,126)	(3,126)
Less: impairment allowance-collective	-	-	-	-	-	-	-	-
Net carrying amount (impaired assets)	62,285	6,304	-	-	25,483	25,483	-	-
Carrying amount – net	67,634,561	62,566,639	5,692,239	2,376,269	13,893,492	14,213,644	269,312	259,555

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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.

	<i>2016</i>	<i>2015</i>
Up to 30 days	718,484	250,997
31 to 60 days	271,832	108,223
61 – 90 days	<u>104,669</u>	<u>186,809</u>
Gross	<u>1,094,985</u>	<u>546,029</u>

This includes financing assets amounting to QAR 238 million subsequently recovered after reporting date.

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:

	<i>2016</i>	<i>2015</i>
Continuing to be impaired after restructuring	39,723	7,318
Non-impaired after restructuring – would otherwise have been impaired	<u>18,254</u>	<u>11,100</u>
	<u>57,977</u>	<u>18,418</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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>2016</i>	<i>2015</i>
Up to 30 days	1,067,500	454,736
31 to 60 days	869,525	90,183
61 – 90 days	27,646	101,912
91 days and above	59,986	83,755
	<u>2,024,657</u>	<u>730,586</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 1,656 thousand (2015: QAR 240 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 2016

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:

2016	Carrying amount	Less than 3 months	3 to12 months	Re-pricing in:		Over 5 years	Non-profit sensitive	Effective profit rate
				1 to 5 years	years			
Cash and balances with QCB	3,126,085	-	-	-	-	-	3,126,085	
Due from banks	5,692,239	3,136,115	-	364,050	-	-	2,192,074	1.91%
Financing assets	67,634,561	16,605,698	19,331,729	13,720,801	17,976,333	-	-	4.20%
Investment securities	13,889,021	41,866	-	-	-	-	13,847,155	3.26%
	<u>90,341,906</u>	<u>19,783,679</u>	<u>19,331,729</u>	<u>14,084,851</u>	<u>17,976,333</u>	<u>19,165,314</u>		
Due to banks	(19,059,705)	(13,436,772)	(5,596,433)	-	-	-	(26,500)	1.83%
Customer current accounts	(10,533,627)	-	-	-	-	-	(10,533,627)	
	<u>(29,593,332)</u>	<u>(13,436,772)</u>	<u>(5,596,433)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,560,127)</u>	
Equity of investment account holders	(47,490,298)	(35,042,971)	(10,363,532)	(1,847,812)	(235,983)	-	-	1.96%
Consolidated statement of financial position items	13,238,276	(28,696,064)	3,371,764	12,237,039	17,740,350	8,605,187		
Off consolidated statement of financial position items	(25,201,088)	(21,697,249)	(3,503,839)	-	-	-	-	
Profit Rate Sensitivity Gap	<u>(11,942,812)</u>	<u>(50,393,313)</u>	<u>(132,075)</u>	<u>12,237,039</u>	<u>17,740,350</u>	<u>8,605,187</u>		
Cumulative Profit Rate Sensitivity Gap	<u>(11,942,812)</u>	<u>(50,393,313)</u>	<u>(50,525,388)</u>	<u>(38,288,349)</u>	<u>(20,547,999)</u>	<u>(11,942,812)</u>		

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At 31 December 2016

4 FINANCIAL RISK MANAGEMENT(continued)

4.3 Market risk (continued)

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

2015	Carrying amount	Less than 3 months	3 to 12 months	Re-pricing in: 1 to 5 years	Over 5 years	Non-profit sensitive	Effective profit rate
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	62,566,639	19,677,844	7,252,160	24,988,252	10,648,383	-	3.24%
Investment securities	14,120,957	68,851	-	-	-	14,052,106	
	<u>81,800,780</u>	<u>21,099,138</u>	<u>7,252,160</u>	<u>25,352,302</u>	<u>10,648,383</u>	<u>17,448,797</u>	
Due to banks	(13,344,591)	(10,058,791)	(2,587,093)	(198,630)	-	(500,077)	1.30%
Customer current accounts	(6,183,762)	-	-	-	-	(6,183,762)	
	<u>(19,528,353)</u>	<u>(10,058,791)</u>	<u>(2,587,093)</u>	<u>(198,630)</u>	<u>-</u>	<u>(6,683,839)</u>	
Equity of investment account holders	(49,439,504)	(38,845,229)	(9,142,805)	(1,451,470)	-	-	1.42%
Consolidated statement of financial position items	12,832,923	(27,804,882)	(4,477,738)	23,702,202	10,648,383	10,764,958	
Off consolidated statement of financial position items	(28,875,142)	(18,587,847)	(10,079,120)	(208,175)	-	-	
Profit Rate Sensitivity Gap	<u>(16,042,219)</u>	<u>(46,392,729)</u>	<u>(14,556,858)</u>	<u>23,494,027</u>	<u>10,648,383</u>	<u>10,764,958</u>	
Cumulative Profit Rate Sensitivity Gap	<u>(16,042,219)</u>	<u>(46,392,729)</u>	<u>(60,949,587)</u>	<u>(37,455,560)</u>	<u>(26,807,177)</u>	<u>(16,042,219)</u>	

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4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves worldwide and a 5 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	10 bp parallel increase	10 bp parallel decrease
2016		
At 31 December	1,673	(1,673)
2015		
At 31 December	900	(900)

Overall non-trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and Shari'a-compliant 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).

	2016	2015
Net foreign currency exposure:		
EUR	305	983
GBP	(2,150)	(1,389)
Others	3,742	13,733

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4 FINANCIAL RISK MANAGEMENT (continued)**4.3 Market risk (continued)****4.3.3 Exposure to other market risks – non-trading portfolios (continued)**

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>	
	<i>2016</i>	<i>2015</i>
5% increase / (decrease) in currency exchange rate		
EUR	15	49
GBP	(108)	(69)
Others	187	687

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:

	<i>2016</i>	<i>2015</i>
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	-	15,421
Increase / (decrease) in equity	1,322	4,902

4.3.4 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.

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4 FINANCIAL RISK MANAGEMENT (continued)**4.3 Market risk (continued)****4.3.4 Valuation of financial instruments (continued)**

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, 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.

4.3.5 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>
2016				
Shari'a-compliant risk management instruments	-	18,649	-	18,649
Investment securities	62,962	87,486	-	150,448
	<u>62,962</u>	<u>106,135</u>	<u>-</u>	<u>169,097</u>
Shari'a-compliant risk management instruments	-	17,264	-	17,264
	<u>-</u>	<u>17,264</u>	<u>-</u>	<u>17,264</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

4.3.5 Financial asset and liability classification (continued)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
2015				
Shari'a-compliant 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>
Shari'a-compliant risk management instruments	-	7,764	-	7,764
	<u>-</u>	<u>7,764</u>	<u>-</u>	<u>7,764</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 2,693 million (2015: QAR 2,602 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.

Investment securities totalling QAR 4,694 thousand are carried at cost (2015: QAR 4,695 thousand).

During the reporting periods 31 December 2016 and 2015, there were no transfers among Levels 1, 2 and 3 fair value measurements.

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 Shari'a-compliant 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>2016</i>	<i>2015</i>
At 31 December	86%	85%
Average for the year	80%	88%
Maximum for the year	89%	97%
Minimum for the year	73%	78%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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.

2016	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	3,126,085	759,611	-	-	-	2,366,474
Due from banks	5,692,239	5,328,189	-	-	364,050	-
Financing assets	67,634,561	7,787,125	8,818,573	19,331,729	13,720,801	17,976,333
Investment securities	14,012,110	3,029,954	141,194	650,963	6,294,371	3,895,628
Other assets	269,312	269,312	-	-	-	-
Total financial assets	90,734,307	17,174,191	8,959,767	19,982,692	20,379,222	24,238,435
Due to banks	19,059,705	10,550,226	2,913,046	5,596,433	-	-
Customer current accounts	10,533,627	10,533,627	-	-	-	-
Total financial liabilities	29,593,332	21,083,853	2,913,046	5,596,433	-	-
Equity of investment account holders	47,490,298	21,518,337	15,889,009	8,743,328	1,339,624	-
Total financial liabilities and equity of investment account holders	77,083,630	42,602,190	18,802,055	14,339,761	1,339,624	-
Difference	13,650,677	(25,427,999)	(9,842,288)	5,642,931	19,039,598	24,238,435

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

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	62,566,639	7,166,385	9,004,163	7,255,345	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	82,564,179	9,928,525	9,266,584	7,825,912	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	13,596,322	(29,342,062)	(5,568,947)	(5,358,644)	34,161,927	19,704,048

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and Shari'a-compliant 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>
2016							
Non-derivative liabilities							
Due to banks	19,059,705	19,104,275	12,313,638	2,070,314	4,720,323	-	-
Customer current accounts	10,533,627	10,533,627	10,533,627	-	-	-	-
Other liabilities	1,573,592	1,573,592	1,573,592	-	-	-	-
Total liabilities	31,166,924	31,211,494	24,420,857	2,070,314	4,720,323	-	-
Equity of investment account holders	47,490,298	47,733,522	23,115,547	15,023,827	8,207,406	1,386,742	-
Shari'a-compliant risk management instruments							
Risk management:	1,385	(20,010)	(5,970)	(1,682)	(12,358)	-	-
Outflow		21,395	6,572	1,530	13,293	-	-
Inflow							
	78,658,607	78,946,401	47,537,006	17,093,989	12,928,664	1,386,742	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

4	FINANCIAL RISK MANAGEMENT (continued)	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 Years	Over 5 years
4.4	Liquidity risk (continued)							
4.4.3	Maturity analysis (Financial liabilities and Shari'a-compliant risk management instruments) (continued)							
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	2,005,333	2,005,333	2,005,333	-	-	-	-
	Total liabilities	21,533,686	21,550,335	15,610,337	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	-
	Shari'a-compliant risk management instruments	8,063						
	Risk management:		(15,165)	(1,587)	(5,403)	(8,175)	-	-
	Outflow		23,228	4,343	5,503	13,382	-	-
	Inflow	70,981,253	71,190,396	42,237,376	16,562,928	11,320,579	1,069,513	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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 equity holders' 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 2016

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:

	2016	2015
Common Equity Tier (CET) 1 capital/Tier 1 (Basel II)	11,317,730	10,670,083
Additional Tier 1 capital	26,394	1,160
Additional Tier 2 capital	<u>26,394</u>	<u>1,160</u>
Total eligible capital	11,370,518	10,672,403
Total risk weighted assets	<u>60,315,362</u>	<u>57,552,128</u>
CET1/Tier 1 (Basel II) Ratio	<u>18.76%</u>	<u>18.54%</u>
Total Capital Ratio	<u>18.85%</u>	<u>18.54%</u>

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 Systemic Important Bank buffer is 13%.

Risk weighted assets and carrying amounts

	<i>Basel III/II Risk weighted amount</i>		<i>Carrying amount</i>	
	2016	2015	2016	2015
Cash and balances with QCB	-	-	3,126,085	2,736,915
Due from banks	1,180,653	550,427	5,692,239	2,376,269
Financing assets	37,026,536	34,074,791	67,634,561	62,566,639
Investment securities	2,050,456	1,886,632	14,012,110	14,624,801
Fixed assets and other assets	538,058	541,697	557,180	557,737
Off balance sheet assets	<u>11,695,361</u>	<u>12,383,683</u>	<u>52,910,154</u>	<u>68,724,845</u>
Total risk weighted assets for credit risk	<u>52,491,064</u>	<u>49,437,230</u>	<u>143,932,329</u>	<u>151,587,206</u>
Risk weighted assets for market risk	3,365,831	3,848,461		
Risk weighted assets for operational risk	<u>4,458,467</u>	<u>4,266,436</u>		
	<u>7,824,298</u>	<u>8,114,897</u>		
			2016	2015
Risk weighted assets			60,315,362	57,552,127
Regulatory capital			11,370,518	10,672,403
Risk weighted assets as a percentage of regulatory capital (capital ratio)			18.85%	18.54%

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At 31 December 2016

5 USE OF ESTIMATES AND JUDGMENTS**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.

(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.

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 sukuk 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 2016

6 OPERATING SEGMENTS (continued)

Information about operating segments

2016	<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	2,288,928	648,599	22,973	194,045	-	3,154,545
Net fee and commission income	265,585	-	31,669	15,269	-	312,523
Foreign exchange gain / (loss)	132,001	-	-	1,925	-	133,926
Share of results of associates and joint ventures	-	-	-	-	52,377	52,377
Gain on sale of an associate	-	-	-	-	93,071	93,071
Other income	-	-	-	-	8,599	8,599
Total segment revenue	2,686,514	648,599	54,642	211,239	154,047	3,755,041
<i>Other material non-cash items:</i>						
Net impairment loss on investment securities	(1,127)	-	-	-	-	(1,127)
Net recoveries and reversals / (impairment losses) on financing assets	854	-	-	(2,405)	-	(1,551)
Reportable segment profit before tax	1,692,644	501,658	37,114	40,020	(199,076)	2,072,360
Reportable segment assets	69,107,730	14,909,591	483,051	6,400,459	629,904	91,530,735
Reportable segment liabilities	26,428,511	2,037,608	9,406	1,385,952	1,305,447	31,166,924
Reportable segment equity of investment account holders	30,647,089	12,370,325	-	4,472,884	-	47,490,298

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

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	64,387,156	12,117,620	846,424	5,417,337	562,876	83,331,413
Reportable segment liabilities	16,199,691	1,991,157	8,198	1,664,840	1,669,800	21,533,686
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 2016

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>
2016					
Cash and balances with QCB	-	-	3,126,085	3,126,085	3,126,085
Due from banks	-	-	5,692,239	5,692,239	5,692,239
Financing assets	-	-	67,634,561	67,634,561	67,634,561
Investment securities:					
- Measured at fair value	4,471	150,671	-	155,142	155,142
- Measured at amortised cost	-	-	13,856,968	13,856,968	13,917,718
Other assets	-	-	269,312	269,312	269,312
Shari'a-compliant risk management instruments	18,649	-	-	18,649	18,649
	23,120	150,671	90,579,165	90,752,956	90,813,706
Due to banks	-	-	19,059,705	19,059,705	19,059,705
Customer current accounts	-	-	10,533,627	10,533,627	10,533,627
Other liabilities	-	-	849,809	849,809	849,809
Equity of investment account holders	-	-	47,490,298	47,490,298	47,490,298
Shari'a-compliant risk management instruments	17,264	-	-	17,264	17,264
	17,264	-	77,933,439	77,950,703	77,950,703
	<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	-	-	62,566,639	62,566,639	62,566,639
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
Shari'a-compliant risk management instruments	15,827	-	-	15,827	15,827
	416,928	102,743	82,060,335	82,580,006	82,635,184
Due to banks	-	-	13,344,591	13,344,591	13,344,591
Customer current accounts	-	-	6,183,762	6,183,762	6,183,762
Other liabilities	-	-	805,372	805,372	805,372
Equity of investment account holders	-	-	49,439,504	49,439,504	49,439,504
Shari'a-compliant risk management instruments	7,764	-	-	7,764	7,764
	7,764	-	69,773,229	69,780,993	69,780,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

8 CASH AND BALANCES WITH QATAR CENTRAL BANK

	<i>2016</i>	<i>2015</i>
Cash on hand	359,619	324,107
Cash reserve with QCB*	2,366,474	2,334,173
Current account with QCB	<u>399,992</u>	<u>78,635</u>
	<u>3,126,085</u>	<u>2,736,915</u>

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

9 DUE FROM BANKS

	<i>2016</i>	<i>2015</i>
Current accounts	2,192,074	651,794
Wakala placements with banks	1,850,022	516,653
Commodity murabaha receivable	<u>1,650,143</u>	<u>1,207,822</u>
	<u>5,692,239</u>	<u>2,376,269</u>

10 FINANCING ASSETS

	<i>2016</i>	<i>2015</i>
(a) By type		
Receivables and balances from financing activities:		
Murabaha	55,519,712	53,883,355
Ijarah	8,875,993	6,804,106
Istisna'a	1,856,997	1,698,043
Musharaka	4,661,716	4,561,423
Others	<u>317,071</u>	<u>388,337</u>
Total receivables and balances from financing activities	<u>71,231,489</u>	<u>67,335,264</u>
Deferred profit	(3,546,468)	(4,715,175)
Allowance for impairment and profit in suspense (note b)	<u>(50,460)</u>	<u>(53,450)</u>
Net receivables and balances from financing activities	<u>67,634,561</u>	<u>62,566,639</u>

The total non-performing financing assets at 31 December 2016 amounted to QAR 112,745 thousand representing 0.16% of the gross financing assets (2015: QAR 59,754 thousand, representing 0.09% of the gross financing assets).

Specific impairment of financing assets includes QAR 1,918 thousand of profit in suspense (2015: QAR 3,532 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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 2016</i>
Balance as at 1 January	49,918	3,532	53,450
Charge for the year	29,648	597	30,245
Recoveries / reversals during the year	(28,097)	(2,211)	(30,308)
Write off during the year	(1,656)	-	(1,656)
Effect of foreign currency movement	(1,271)	-	(1,271)
Balance at 31 December	48,542	1,918	50,460

	<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	49,918	3,532	53,450

(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 2016</i>
Balance as at 1 January	41,098	12,352	53,450
Charge for the year	20,268	9,977	30,245
Recoveries / reversals during the year	(29,727)	(581)	(30,308)
Write off during the year	-	(1,656)	(1,656)
Effect of foreign currency movement	-	(1,271)	(1,271)
Balance at 31 December	31,639	18,821	50,460

	<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	41,098	12,352	53,450

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At 31 December 2016

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 2016</i>
Government and related agencies	33,318,988	692,247	314,938	-	1,266	34,327,439
Non-banking financial institutions	3,434,596	-	-	-	474	3,435,070
Industry	393,503	-	711,499	-	8,755	1,113,757
Commercial	1,788,035	18,049	-	115,706	201,153	2,122,943
Services	3,290,343	640,497	-	-	12,753	3,943,593
Contracting	984,006	3,845	-	8,149	9,888	1,005,888
Real estate	6,797,490	7,207,976	830,560	1,434,740	122	16,270,888
Personal	4,265,637	313,379	-	2,825,669	82,660	7,487,345
Other	1,247,114	-	-	277,452	-	1,524,566
	<u>55,519,712</u>	<u>8,875,993</u>	<u>1,856,997</u>	<u>4,661,716</u>	<u>317,071</u>	<u>71,231,489</u>
Less: Deferred profit						(3,546,468)
Allowance for impairment on financing assets						(50,460)
						<u>67,634,561</u>

	<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	-	2,016	33,651,723
Non-banking financial institutions	5,558,600	-	-	-	-	5,558,600
Industry	270,654	-	633,508	-	20,662	924,824
Commercial	1,240,928	31,802	-	-	250,336	1,523,066
Services	2,244,629	198,541	223,194	215,387	15,601	2,897,352
Contracting	727,425	89,331	-	2,711	14,397	833,864
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	18,943	1,751,521
	<u>53,883,355</u>	<u>6,804,106</u>	<u>1,698,043</u>	<u>4,561,423</u>	<u>388,337</u>	<u>67,335,264</u>
Less: Deferred profit						(4,715,175)
Allowance for impairment on financing assets						(53,450)
						<u>62,566,639</u>

11 INVESTMENTS IN FUNDS

During the year, QCB issued Circular AR 11/2016 which states that the Bank may not own more than a 10% stake in investment funds, and in the case of excess in the ceiling set out, the Bank shall dispose of the excess shareholding. As a result, the Bank's investments in Al Rayan GCC Fund (F) and Al Rayan GCC Fund (Q) were deconsolidated during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

12 INVESTMENT SECURITIES

	2016		2015		Total
	Quoted	Unquoted	Quoted	Unquoted	
<i>Investments classified as fair value through income statement</i>					
Investments classified as held for trading					
• Equity type investments	-	-	308,414	-	308,414
• Debt type investments - Fixed profit rate	4,471	-	92,687	-	92,687
	<u>4,471</u>	<u>-</u>	<u>401,101</u>	<u>-</u>	<u>401,101</u>
<i>Debt-type investments classified at amortised cost</i>					
Fixed profit rate	1,356,800	-	1,264,861	-	1,264,861
Floating profit rate	41,866	-	68,851	-	68,851
Government of Qatar Sukuk	1,258,786	11,225,000	1,238,717	11,574,012	12,812,729
Less: Allowance for impairment	(25,484)	-	(25,484)	-	(25,484)
	<u>2,631,968</u>	<u>11,225,000</u>	<u>2,546,945</u>	<u>11,574,012</u>	<u>14,120,957</u>
<i>Investments classified as fair value through equity</i>					
• Equity type investments	26,438	92,180	98,048	4,695	102,743
• Debt type investments - Fixed profit rate	32,053	-	-	-	-
	<u>58,491</u>	<u>92,180</u>	<u>98,048</u>	<u>4,695</u>	<u>102,743</u>
	<u>2,694,930</u>	<u>11,317,180</u>	<u>3,046,094</u>	<u>11,578,707</u>	<u>14,624,801</u>

The Group has recognized impairment loss for certain equity-type investments classified as fair value through equity during the year totalling QAR 1,127 thousand (2015: QAR 43,703 thousand), due to significant and prolonged reduction in fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

12 INVESTMENT SECURITIES (continued)

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

	2016			2015		
	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Balance at 1 January	12,738	(148)	12,590	38,918	(10,113)	28,805
Net change in fair value	2,275	(5,755)	(3,480)	9,431	(45,704)	(36,273)
Transferred to consolidated income statement on sale	(4,603)	221	(4,382)	(34,198)	11,966	(22,232)
Transferred to consolidated income statement due to impairment	-	1,127	1,127	-	43,703	43,703
Share of other comprehensive income of associates	(3,872)	-	(3,872)	(1,413)	-	(1,413)
Net fair value movement	(6,200)	(4,407)	(10,607)	(26,180)	9,965	(16,215)
Balance at 31 December	6,538	(4555)	1,983	12,738	(148)	12,590

13 INVESTMENT IN ASSOCIATES

Associates' movement during the year is as follows:

	2016	2015
Balance at 1 January	469,052	423,998
Share of results	52,377	55,648
Cash dividend received	(13,458)	(9,429)
Investment acquired during the year	4,401	-
Share of other comprehensive income	(3,872)	(1,413)
Other movements	60	248
Balance at 31 December	508,560	469,052

Name of the Company	Country	Company's activities	Ownership %	
			2016	2015
National Mass Housing ("NMFH")	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	48.76	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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13 INVESTMENT IN ASSOCIATES (continued)

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

2016	NMH	Ci San	Kirnaf	Daman	Linc
Total assets	<u>159,702</u>	<u>115,821</u>	<u>1,111,403</u>	<u>899,175</u>	<u>100,838</u>
Total liabilities	<u>2,701</u>	<u>60,474</u>	<u>338,047</u>	<u>601,495</u>	<u>12,971</u>
Total revenue	<u>24,584</u>	<u>74,454</u>	<u>74,406</u>	<u>75,169</u>	<u>128,031</u>
Net profit	<u>3,209</u>	<u>7,036</u>	<u>25,208</u>	<u>46,522</u>	<u>60,540</u>
Share of profit recognised	<u>637</u>	<u>3,518</u>	<u>18,637</u>	<u>9,304</u>	<u>20,281</u>
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	<u>10,844</u>	<u>2,230</u>	<u>29,081</u>	<u>39,694</u>	<u>16,292</u>
Share of profit recognised	<u>2,169</u>	<u>1,115</u>	<u>39,215</u>	<u>7,939</u>	<u>5,210</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 2016	98,170	81,640	38,510	92,660	2,274	313,254
Additions	307	3,247	3,761	9,455	5,596	22,366
Transfers during the year	-	300	-	-	(300)	-
Effect of foreign currency movement	(3,423)	(4,170)	(663)	(2,666)	-	(10,922)
Balance at 31 December 2016	95,054	81,017	41,608	99,449	7,570	324,698
Accumulated depreciation:						
Balance at 1 January 2016	2,850	55,073	23,295	84,554	-	165,772
Depreciation for the year	541	6,756	3,846	5,175	-	16,318
Effect of foreign currency movement	(27)	(2,759)	(423)	(2,377)	-	(5,586)
Balance at 31 December 2016	3,364	59,070	26,718	87,352	-	176,504
Net book value:						
At 31 December 2016	91,690	21,947	14,890	12,097	7,570	148,194

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

14 FIXED ASSETS (continued)

	<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 2016

15 OTHER ASSETS

	<i>2016</i>	<i>2015</i>
Accrued profit	272,438	262,681
Prepayments and other receivables	101,852	135,675
Advances to suppliers	<u>37,822</u>	<u>15,025</u>
	412,112	413,381
Less: Allowance for impairment losses	<u>(3,126)</u>	<u>(3,126)</u>
	<u>408,986</u>	<u>410,255</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 Shari'a-compliant risk management instruments amounting to QAR 18,649 thousand (2015: QAR 15,827 thousand).

16 DUE TO BANKS

	<i>2016</i>	<i>2015</i>
Current accounts	26,500	500,077
Commodity murabaha payable	1,768,713	2,348,709
Short-term Murabaha facilities from banks	1,638,125	-
Wakala payable	<u>15,626,367</u>	<u>10,495,805</u>
	<u>19,059,705</u>	<u>13,344,591</u>

Wakala payable includes various facilities with maturities up to 10 months and carries a profit rate of 0.40% to 2.25% (2015: maturities up to 15 months and carries a profit rate of 0.05% to 1.65%).

17 CUSTOMER CURRENT ACCOUNTS

	<i>2016</i>	<i>2015</i>
By sector:		
Government	5,000,689	1,426,004
Non-banking financial institutions	17,842	32,612
Corporate	2,848,812	2,324,437
Individuals	<u>2,666,284</u>	<u>2,400,709</u>
	<u>10,533,627</u>	<u>6,183,762</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

18 OTHER LIABILITIES

	2016	2015
Unearned commission	149,242	288,922
Dividend payable	566,073	448,354
Funds received against rights issue on behalf of customers	-	429,361
Acceptances	231,854	305,184
Other staff provisions	81,934	95,485
Accrued expenses	25,405	90,814
Social and sports fund (Note 38)	51,882	51,834
Provision for employees' end of service benefits (a)	35,993	32,309
Others	431,209	263,070
	<u>1,573,592</u>	<u>2,005,333</u>

Others include negative fair value of Shari'a-compliant risk management instruments amounting to QAR 17,264 thousand (2015: QAR 7,764 thousand).

(a) Provision for employees' end of service benefits

	2016	2015
Balance at 1 January	32,309	27,130
Provisions made during the year	5,894	7,386
Paid during the year	(2,210)	(2,207)
Balance at 31 December	<u>35,993</u>	<u>32,309</u>

19 EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2016	2015
(a) By type		
Saving accounts	5,145,444	3,252,293
Term accounts	37,874,166	41,528,663
Short-term investment accounts	4,234,725	4,520,224
Profit payable to equity of investment account holders	235,884	137,812
Share in the fair value reserve	79	512
	<u>47,490,298</u>	<u>49,439,504</u>
	2016	2015
(b) By sector		
Government	17,004,341	23,740,637
Non-banking financial institutions	96,650	215,163
Retail	12,586,623	9,015,985
Corporate	17,566,721	16,329,395
Profit payable to equity of investment account holders	235,884	137,812
Share in the fair value reserve	79	512
	<u>47,490,298</u>	<u>49,439,504</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

	<i>2016</i>	<i>2015</i>
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	2,137,533	2,039,474
Masraf's Mudaraba income	(2,025,259)	(1,891,529)
Return on investment account holders	112,274	147,945
Support provided by Masraf	748,642	470,680
Return on investment account holders after Masraf's support	860,916	618,625
Rates of profit allotment:	2016	2015
	%	%
More than one year deposits	1.79	1.53
One year deposits	1.58	1.35
Six months deposits	1.45	1.27
Three months deposits	1.33	1.16
Short-term investment accounts	1.01	0.90
Saving accounts	1.33	1.10
Saving accounts-millionaire	1.49	1.18

20 EQUITY**(a) Share capital**

	<i>2016</i>	<i>2015</i>
<i>Authorised, issued and paid up</i> 750,000,000 shares at QAR 10 each	7,500,000	7,500,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2016	2015
Balance at 1 January	1,447,869	1,033,195
Transfer from retained earnings (i)	<u>415,057</u>	<u>414,674</u>
Balance at 31 December	<u>1,862,926</u>	<u>1,447,869</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 2016, the Group transferred to legal reserve 20% of the net profit for the year (2015: 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 2016, an amount of QAR 209 million has been transferred to the risk reserve (2015: QAR 128 million).

(d) Fair value reserve

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

	2016	2015
Balance at the 1 January	<u>12,590</u>	<u>28,805</u>
Net unrealised (losses) / gains	(3,401)	(35,761)
Transferred to consolidated income statement	(4,382)	(22,232)
Transferred to consolidated income statement due to impairment	1,127	43,703
Share of other comprehensive income of associates	(3,872)	(1,413)
Share of equity of investment account holders in the fair value reserve	(79)	(512)
Net fair value movement	<u>(10,607)</u>	<u>(16,215)</u>
Balance at 31 December (shareholders' share)	<u>1,983</u>	<u>12,590</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 Shari'a-compliant risk management instruments that hedge the Group's net investment in foreign operations.

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20 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.

	<i>2016</i>	<i>2015</i>
Balance at 1 January	80,468	41,165
Share of results of associates	52,377	55,648
Dividend from associates transferred to retained earnings	(5,418)	(5,418)
Other movement	(20,281)	(10,927)
Balance at 31 December	<u>107,146</u>	<u>80,468</u>

(g) Proposed dividend

The Board of Directors in its meeting held on 16 January 2017 proposed a cash dividend of 20% (2015: 17.5%) of the share capital amounting to QAR 1,500 million (2015: 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 (UK) Limited (30%) and Al Rayan Bank PLC (31.16%) (31 December 2015: Al Rayan GCC Fund (F) - 44.6%, Al Rayan GCC Fund (Q) - 83.5% and Al Rayan Bank PLC - 1.66%).

22 NET INCOME FROM FINANCING ACTIVITIES

	<i>2016</i>	<i>2015</i>
Income from Murabaha	1,996,551	1,847,540
Income from Istisna'a	50,981	39,496
Income from Ijarah	374,692	273,672
Income from Musharaka	198,403	172,756
	<u>2,620,627</u>	<u>2,333,464</u>

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23 NET INCOME FROM INVESTING ACTIVITIES

	<i>2016</i>	<i>2015</i>
Income from investment in debt-type instruments	460,125	405,013
Dividend income	4,891	23,872
Income from inter-bank placements with Islamic banks	56,572	22,037
Net gain on sale of equity-type investments	7,175	17,259
Net gain on sale of debt-type investments	4,642	206
Fair value gain / (loss) on investment securities carried as fair value through income statement	513	(59,775)
	<u>533,918</u>	<u>408,612</u>

24 NET FEE AND COMMISSION INCOME

	<i>2016</i>	<i>2015</i>
Commission on financing activities	198,288	143,457
Commission on trade finance activities	77,105	72,666
Commission on banking services	38,895	23,548
	<u>314,288</u>	<u>239,671</u>
Fee and commission expenses	(1,765)	(1,418)
	<u>312,523</u>	<u>238,253</u>

25 FOREIGN EXCHANGE GAIN

	<i>2016</i>	<i>2015</i>
Dealing in foreign currencies	134,502	107,995
Revaluation of assets and liabilities	(576)	(117)
	<u>133,926</u>	<u>107,878</u>

26 OTHER INCOME

	<i>2016</i>	<i>2015</i>
Rental income	2,152	2,777
Miscellaneous	6,447	4,016
	<u>8,599</u>	<u>6,793</u>

27 STAFF COSTS

	<i>2016</i>	<i>2015</i>
Salaries, allowances and other staff costs	273,222	279,283
Staff indemnity costs	5,894	7,386
Staff pension fund costs	5,798	5,235
	<u>284,914</u>	<u>291,904</u>

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28 OTHER EXPENSES

	<i>2016</i>	<i>2015</i>
Rent and maintenance	58,585	59,481
Advertising expenses	15,544	50,688
Board of Directors' remuneration (Note 34c)	15,622	20,812
Legal, professional and consulting fees	6,424	19,288
Information technology	9,381	18,102
Shari'a Board compensation	428	2,220
Other operating expenses	55,481	74,222
	<u>161,465</u>	<u>244,813</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>2016</i>	<i>2015</i>
Payable not later than 1 year	23,709	25,843
Payable later than 1 year and not later than 5 years	87,124	30,537
	<u>110,833</u>	<u>56,380</u>

(b) Contingent liabilities

	<i>2016</i>	<i>2015</i>
Unutilised credit facilities	7,825,568	15,420,295
Guarantees	16,278,696	17,103,678
Letters of credit	3,604,802	7,325,730
	<u>27,709,066</u>	<u>39,849,703</u>

(c) Other undertakings and commitments

	<i>2016</i>	<i>2015</i>
Profit rate swap	3,718,314	4,074,270
Unilateral promise to buy/sell currencies	21,482,774	24,800,872
	<u>25,201,088</u>	<u>28,875,142</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

Geographical sector

	<i>Qatar</i>	<i>Other GCC</i>	<i>Europe</i>	<i>North America</i>	<i>Others</i>	<i>Total</i>
2016						
Cash and balances with QCB	3,115,207	-	10,878	-	-	3,126,085
Due from banks	1,601,443	1,963,853	2,064,960	59,985	1,998	5,692,239
Financing assets	56,982,743	188,910	7,084,600	-	3,378,308	67,634,561
Investment securities	12,824,606	697,081	294,332	-	196,091	14,012,110
Investment in associates	101,490	407,070	-	-	-	508,560
Fixed assets	119,487	-	28,707	-	-	148,194
Other assets	351,872	-	57,114	-	-	408,986
TOTAL ASSETS	75,096,848	3,256,914	9,540,591	59,985	3,576,397	91,530,735
Due to banks	13,106,484	4,564,768	437,344	-	951,109	19,059,705
Customer current accounts	9,797,364	85,422	638,081	302	12,458	10,533,627
Other liabilities	1,573,592	-	-	-	-	1,573,592
Total liabilities	24,477,440	4,650,190	1,075,425	302	963,567	31,166,924
Equity of investment account holders	41,241,420	2,142,161	3,936,416	-	170,301	47,490,298
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	65,718,860	6,792,351	5,011,841	302	1,133,868	78,657,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

Geographical sector (continued)

	<i>Qatar</i>	<i>Other GCC</i>	<i>Europe</i>	<i>North America</i>	<i>Others</i>	<i>Total</i>
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	52,195,554	169,921	6,933,658	-	3,267,506	62,566,639
Investment securities	13,308,369	964,266	130,451	-	221,715	14,624,801
Investment in associates	84,198	384,854	-	-	-	469,052
Fixed assets	115,111	-	32,371	-	-	147,482
Other assets	361,893	-	48,362	-	-	410,255
TOTAL ASSETS	69,832,721	2,213,786	7,733,090	59,203	3,492,613	83,331,413
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	1,983,181	-	22,152	-	-	2,005,333
Total liabilities	16,215,257	4,077,734	662,426	22	578,247	21,533,686
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	61,855,527	5,922,118	2,509,934	48	685,563	70,973,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

Industrial sector

2016	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with QCB	-	-	-	3,126,085	-	-	3,126,085
Due from banks	-	-	-	5,692,239	-	-	5,692,239
Financing assets	15,957,075	1,334,353	715,656	3,280,167	6,898,506	39,448,804	67,634,561
Investment securities	287,378	14,063	8,552	569,026	-	13,133,091	14,012,110
Investment in associates	29,982	-	-	429,499	-	49,079	508,560
Fixed assets	-	-	-	-	-	148,194	148,194
Other assets	-	-	-	-	-	408,986	408,986
TOTAL ASSETS	16,274,435	1,348,416	724,208	13,097,016	6,898,506	53,188,154	91,530,735
Due to banks	-	-	-	19,059,705	-	-	19,059,705
Customer current accounts	72,955	249,576	1,019	17,842	2,666,284	7,525,951	10,533,627
Other liabilities	-	-	-	-	-	1,573,592	1,573,592
Total liabilities	72,955	249,576	1,019	19,077,547	2,666,284	9,099,543	31,166,924
Equity of investment account holders	88,472	204,670	762	96,650	8,842,520	38,257,224	47,490,298
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	161,427	454,246	1,781	19,174,197	11,508,804	47,356,767	78,657,222

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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

Industrial sector (continued)

2015	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
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	1,064,491	633,508	5,055,698	5,432,640	36,162,539	62,566,639
Investment securities	348,202	169,583	8,028	330,712	-	13,768,276	14,624,801
Investment in associates	30,858	-	-	404,855	-	33,339	469,052
Fixed assets	-	-	-	-	-	147,482	147,482
Other assets	-	-	-	-	-	410,255	410,255
TOTAL ASSETS	14,596,823	1,234,074	641,536	10,904,449	5,432,640	50,521,891	83,331,413
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	-	-	-	-	-	2,005,333	2,005,333
Total liabilities	79,701	195,642	975	13,377,203	2,400,709	5,479,456	21,533,686
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	45,294,100	70,973,190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

31 MATURITY PROFILE

	Up to 3 months	3-6 months	6 months-1 year	1-5 years	Over 5 years	Total
2016						
Cash and balances with QCB	759,611	-	-	-	2,366,474	3,126,085
Due from banks	5,328,189	-	-	364,050	-	5,692,239
Financing assets	16,605,698	16,775,523	2,556,206	13,720,801	17,976,333	67,634,561
Investment securities	3,171,148	600,000	50,963	6,294,371	3,895,628	14,012,110
Investment in associates	-	-	-	-	508,560	508,560
Fixed assets	28,707	-	-	-	119,487	148,194
Other assets	408,986	-	-	-	-	408,986
TOTAL ASSETS	26,302,339	17,375,523	2,607,169	20,379,222	24,866,482	91,530,735
Due to banks	13,463,272	4,961,216	635,217	-	-	19,059,705
Customer current accounts	10,533,627	-	-	-	-	10,533,627
Other liabilities	1,537,446	36,146	-	-	-	1,573,592
Total liabilities	25,534,345	4,997,362	635,217	-	-	31,166,924
Equity of investment account holders	37,407,346	3,097,785	5,645,543	1,339,624	-	47,490,298
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	62,941,691	8,095,147	6,280,760	1,339,624	-	78,657,222
MATURITY GAP	(36,639,352)	9,280,376	(3,673,591)	19,039,598	24,866,482	12,873,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

31 MATURITY PROFILE (continued)

	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		16,170,548	4,569,374	2,685,971	25,755,786	13,384,960	62,566,639
Investment securities		658,460	249,315	321,252	9,719,276	3,676,498	14,624,801
Investment in associates		-	-	-	-	469,052	469,052
Fixed assets		-	-	-	-	147,482	147,482
Other assets		410,255	-	-	-	-	410,255
TOTAL ASSETS		19,654,223	4,818,689	3,007,223	35,839,112	20,012,166	83,331,413
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		2,005,333	-	-	-	-	2,005,333
Total liabilities		18,747,963	2,549,804	37,289	198,630	-	21,533,686
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		56,111,452	8,041,938	5,142,617	1,677,183	-	70,973,190
MATURITY GAP		(36,457,229)	(3,223,249)	(2,135,394)	34,161,929	20,012,166	12,358,223

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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>2016</i>	<i>2015</i>
Profit for the year attributable to equity holders of the Bank	<u>2,075,286</u>	<u>2,073,369</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>2.767</u>	<u>2.764</u>
(a) The weighted average number of shares has been calculated as follows:		
	<i>2016</i>	<i>2015</i>
	<i>Nos'000</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>2016</i>	<i>2015</i>
Cash on hand and balances with QCB excluding cash reserve	759,611	402,742
Due from bank	<u>5,692,239</u>	<u>2,376,269</u>
	<u>6,451,850</u>	<u>2,779,011</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

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 equity holders and entities over which the Group and the equity holders exercise significant influence, directors and executive management of the Group.

Transactions with related parties**(a) Consolidated statement of financial position items**

	<i>2016</i>	<i>2015</i>
Liabilities		
Current account - customer	-	-
Equity of investment account holders - customer	<u>998,308</u>	<u>1,100,819</u>
	<u>998,308</u>	<u>1,100,819</u>

(b) Consolidated income statement items

	<i>2016</i>	<i>2015</i>
Return on equity of investment account holders - customer	<u>18,866</u>	<u>17,959</u>

(c) Transactions with key management personnel

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

	<i>2016</i>	<i>2015</i>
Financing	<u>1,039</u>	<u>15,235</u>

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

	<i>2016</i>	<i>2015</i>
Remuneration to Board of Directors including meeting allowances (Note 28)	<u>15,622</u>	<u>20,812</u>
Salaries and other benefits	<u>20,628</u>	<u>16,172</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

35 SHARI'A-COMPLIANT 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 Shari'a-compliant risk management 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 fair value of Shari'a-compliant risk management instruments.

	<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>
2016							
Shari'a-compliant risk management instruments							
Profit rate swaps	344	344	3,718,314	314,962	-	3,124,660	278,692
Unilateral promise to buy/sell currencies	18,305	16,920	21,482,774	17,978,935	3,503,839	-	-
	18,649	17,264	25,201,088	18,293,897	3,503,839	3,124,660	278,692
	<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							
Shari'a-compliant risk management instruments							
Profit rate swaps	256	256	4,074,270	-	-	3,782,940	291,330
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	28,875,142	18,296,517	6,296,180	3,991,115	291,330

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

36 ZAKAT

Zakat is directly borne by the equity holders. The Group does not collect or pay Zakah on behalf of its equity holders 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 51.9 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2016 (2015: QAR 51.8 million) for the support of sports, cultural and charitable activities.

39 COMPARATIVE FIGURES

The comparative figures presented for 2015 have been reclassified where necessary to preserve consistency with the 2016 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

	2016	2015
ASSETS		
Cash and balances with QCB	3,114,622	2,710,127
Due from banks	4,789,324	2,077,932
Financing assets	63,147,362	58,779,203
Investment securities	13,145,653	13,458,970
Investment in subsidiaries and associates	1,095,428	1,381,117 *
Fixed assets	118,918	114,400
Other assets	348,771	357,738
TOTAL ASSETS	85,760,078	78,879,487
LIABILITIES		
Due to banks	19,125,245	13,274,502
Customer current accounts	9,569,607	5,407,472
Other liabilities	1,645,812	2,107,859
TOTAL LIABILITIES	30,340,664	20,789,833
EQUITY OF INVESTMENT ACCOUNT HOLDERS	43,039,953	46,292,267
EQUITY		
Share capital	7,500,000	7,500,000
Legal reserve	1,862,926	1,447,869
Risk reserve	1,345,733	1,136,540
Fair value reserves	7,485	5,246
Retained earnings	1,663,317	1,707,732
TOTAL EQUITY	12,379,461	11,797,387
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND EQUITY	85,760,078	78,879,487

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 11 to 24 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

	2016	2015
Net income from financing activities	2,449,178	2,199,418
Net income from investing activities	<u>499,954</u>	<u>407,563</u>
Total net income from financing and investing activities	2,949,132	2,606,981
Fee and commission income	266,112	210,261
Fee and commission expense	<u>(1,197)</u>	<u>(929)</u>
Net fee and commission income	264,915	209,332
Foreign exchange gain	132,001	107,839
Gain on sale of investment in an associate	93,071	186,143
Other income	<u>8,580</u>	<u>9,299</u>
TOTAL INCOME	<u>3,447,699</u>	<u>3,119,594</u>
Staff costs	(222,375)	(238,983)
Depreciation	(12,855)	(13,335)
Other expenses	(117,011)	(197,524)
Finance expense	<u>(364,260)</u>	<u>(122,625)</u>
TOTAL EXPENSES	<u>(716,501)</u>	<u>(572,467)</u>
Net recoveries / reversals on financing assets	854	2,441
Net impairment losses on investments	<u>(3,410) *</u>	<u>(27,576) *</u>
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	2,728,642	2,521,992
Less: Return to investment account holders	<u>(784,425)</u>	<u>(574,137)</u>
NET PROFIT FOR THE YEAR	<u>1,944,217</u>	<u>1,947,855</u>

* This includes impairment loss recognized against investment in a subsidiary amounting to QAR 3.4 million representing losses for the year ended 31 December 2016 (31 December 2015: QAR 24 million representing accumulated losses up to 31 December 2015).