Qatar International Islamic Bank (Q.S.C)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2015

Ernst & Young - (Qatar Branch)
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C)

Report on financial statements

We have audited the accompanying consolidated financial statements of Qatar International Islamic Bank Q.S.C ("QIIB" or the "Bank") and its subsidiary (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2015, consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on other legal and regulatory matters

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

Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 25 February 2016
Doha
State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	***2015 QR'000***	*2014 QR'000*
Assets			
Cash and balances with Qatar Central Bank	8	**1,919,039**	1,622,112
Due from banks	9	**4,612,256**	7,514,208
Financing assets	10	**24,978,073**	21,839,280
Investment securities	11	**7,043,423**	5,597,786
Investment in associates	12	**348,758**	355,338
Investment property	13	**434,640**	486,374
Fixed assets	14	**673,175**	515,856
Intangible assets	15	**16,589**	15,521
Other assets	16	**514,092**	450,980
Total assets		**40,540,045**	38,397,455
Liabilities, equity of unrestricted investment account holders and shareholders' equity			
Liabilities			
Due to banks and financial institutions	17	**4,986,561**	3,338,715
Customers' current accounts	18	**6,585,877**	6,215,705
Sukuk financing	19	**2,545,751**	2,543,916
Other liabilities	20	**814,710**	508,321
Total liabilities		**14,932,899**	12,606,657
Equity of unrestricted investment account holders	21	**20,078,034**	20,422,635
Shareholders' equity			
Share capital	22(a)	**1,513,687**	1,513,687
Legal reserve	22 (b)	**2,452,360**	2,452,360
Risk reserve	22 (c)	**548,401**	474,751
Fair value reserve	22 (d)	**1,877**	-
Other reserves	22 (e)	**84,477**	84,882
Proposed cash dividends	22 (f)	**605,476**	605,476
Retained earnings		**322,834**	237,007
Total shareholders' equity attributable to Shareholders of Bank		**5,529,112**	5,368,163
Total liabilities, equity of unrestricted investment account holders and shareholders' equity		**40,540,045**	38,397,455

These consolidated financial statements were approved by the Board of Directors on 27 January 2016 and were signed on its behalf by:

Dr. Khalid bin Thani bin Abdullah Al Thani
Chairman and Managing Director

Abdulbasit Ahmad Abdulrahman Al Shaibei
Chief Executive Officer

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	**2015 QR'000**	2014 QR'000
Net income from financing activities	23	**1,135,637**	1,016,456
Net income from investing activities	24	**310,869**	383,484
Total net income from financing and investing activities		**1,446,506**	1,399,940
Fee and commission income		**159,833**	129,648
Fee and commission expense		**(33,008)**	(28,028)
Net fee and commission income	25	**126,825**	101,620
Net foreign exchange gains	26	**15,537**	17,568
Share of results of associates	12	**1,244**	(10,293)
Other Income		**-**	11,470
Total income		**1,590,112**	1,520,305
Staff costs	27	**(167,638)**	(154,137)
Depreciation and amortization	13,14&15	**(15,495)**	(15,112)
Finance expenses		**(110,405)**	(78,060)
Other expenses	28	**(124,052)**	(114,176)
Total expenses		**(417,590)**	(361,485)
Net impairment losses on investment securities	11	**(13,919)**	(11,426)
Net impairment losses on financing assets	10	**(100,818)**	(28,209)
Net impairment losses on investment in associate	12	**(3,717)**	-
Foreign exchange losses on currency translation	12	**(853)**	(12,679)
Net profit for the year before return to unrestricted investment account holders		**1,053,215**	1,106,506
Share of unrestricted investment account holders of profit	21	**(269,063)**	(280,689)
Net profit for the year		**784,152**	825,817
Earnings per share			
Basic and diluted earnings per share (QR per share)	32	**5.18**	5.45

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

	Notes	*Share capital QR'000*	*Legal reserve QR'000*	*Risk reserve QR'000*	*Fair value reserve QR'000*	*Other reserves QR'000*	*Proposed cash dividends QR'000*	*Retained earnings QR'000*	*Total QR'000*
Balance at 1 January 2015		**1,513,687**	**2,452,360**	**474,751**	**-**	**84,882**	**605,476**	**237,007**	**5,368,163**
Fair value reserve movement		**-**	**-**	**-**	**1,877**	**-**	**-**	**-**	**1,877**
Net profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**784,152**	**784,152**
Total recognised income and expense for the year		**-**	**-**	**-**	**1,877**	**-**	**-**	**784,152**	**786,029**
Cash dividends paid to shareholders	22(f)	**-**	**-**	**-**	**-**	**-**	**(605,476)**	**-**	**(605,476)**
Net movement in other reserves	22(e)	**-**	**-**	**-**	**-**	**(405)**	**-**	**405**	**-**
Proposed cash dividends	22(f)	**-**	**-**	**-**	**-**	**-**	**605,476**	**(605,476)**	**-**
Social and Sports Fund appropriation	37	**-**	**-**	**-**	**-**	**-**	**-**	**(19,604)**	**(19,604)**
Transfer to risk reserve	22(c)	**-**	**-**	**73,650**	**-**	**-**	**-**	**(73,650)**	**-**
Balance at 31 December 2015		**1,513,687**	**2,452,360**	**548,401**	**1,877**	**84,477**	**605,476**	**322,834**	**5,529,112**

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2015

	Notes	Share capital QR'000	Legal reserve QR'000	Risk reserve QR'000	Fair value reserve QR'000	Other reserves QR'000	Proposed cash dividends QR'000	Retained earnings QR'000	Total QR'000
Balance at 1 January 2014 (Restated)		1,513,687	2,452,360	412,901	6,520	125,860	567,633	58,183	5,137,144
Fair value reserve movement		-	-	-	(6,520)	-	-	-	(6,520)
Net profit for the year		-	-	-	-	-	-	825,817	825,817
Total recognised income and expense for the year		-	-	-	(6,520)	-	-	825,817	819,297
Cash dividends paid to shareholders	22(f)	-	-	-	-	-	(567,633)	-	(567,633)
Net movement in other reserves	22(e)	-	-	-	-	(40,978)	-	40,978	-
Proposed cash dividends	22(f)	-	-	-	-	-	605,476	(605,476)	-
Social and Sports Fund appropriation	37	-	-	-	-	-	-	(20,645)	(20,645)
Transfer to risk reserve	22(c)	-	-	61,850	-	-	-	(61,850)	-
Balance at 31 December 2014		1,513,687	2,452,360	474,751	-	84,882	605,476	237,007	5,368,163

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2015

	Notes	*2015* *QR'000*	*2014* *QR'000*
Cash flows from operating activities			
Net profit for the year		**784,152**	825,817
Adjustments for:			
Net impairment loss on financing assets	10	**100,818**	28,209
Net impairment loss on investment securities	11	**13,919**	11,426
Net impairment loss on investment in associate	12	**3,717**	-
Foreign exchange losses on currency translation	12	**853**	12,679
Depreciation and amortisation	13,14&15	**15,495**	15,112
Net loss (gain) on sale of investments securities	24	**5,281**	(34,249)
Dividends income	24	**(2,936)**	(5,215)
Share of results of associates	12	**(1,244)**	10,293
Sukuk amortisation		**1,836**	1,834
Employees' end of service benefits	20	**8,056**	3,460
Net gain on disposal of investment property		**(67,687)**	(88,722)
Net gain on disposal of fixed assets		**(124)**	(11,470)
Profit before changes in operating assets and liabilities		**862,136**	769,174
Working capital changes:			
Cash reserve with Qatar Central Bank		**(153,819)**	(64,109)
Due from banks		**208,476**	(2,002,826)
Financing assets		**(3,239,611)**	(2,846,472)
Other assets		**(63,111)**	(90,377)
Due to banks and financial institutions		**1,647,846**	1,942,716
Customers' current accounts		**370,172**	544,896
Other liabilities		**282,212**	5,167
		(85,699)	(1,741,831)
Employees' end of service benefits paid		**(3,483)**	(375)
Net cash flows used in operating activities		**(89,182)**	(1,742,206)
Cash flows from investing activities			
Acquisition of investment securities		**(5,167,309)**	(3,336,739)
Proceeds from sale of investment securities		**3,706,423**	4,544,616
Acquisition of fixed assets	14	**(166,451)**	(149,366)
Proceeds from sale of fixed assets		**203**	35,956
Acquisition of intangible assets	15	**(3,462)**	-
Dividends received from associate company	12	**3,254**	9,971
Acquisitions of investment property	13	**-**	(15,408)
Advances for associate's capital increment	12	**-**	(54,965)
Proceeds from sale of investment property		**115,372**	205,228
Dividends income	24	**2,936**	5,215
Net cash flows (used in) generated from investing activities		**(1,509,034)**	1,244,508
Cash flows from financing activities			
Change in equity of unrestricted investment account holders		**(346,676)**	1,616,864
Cash dividends paid to shareholders		**(605,476)**	(567,633)
Net cash flows (used in) generated from financing activities		**(952,152)**	1,049,231
Net (decrease) increase in cash and cash equivalents		**(2,550,368)**	551,533
Cash and cash equivalents at 1 January		**5,537,532**	4,985,999
Cash and cash equivalents at 31 December	33	**2,987,164**	5,537,532

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

1 REPORTING ENTITY

Qatar International Islamic Bank (Q.S.C) (“QIIB” or “the Bank”) was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located in Grand Hamad Street in Doha and 20 local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

The commercial registration number of the Bank is 13023.The address of the Bank’s registered office is Doha, State of Qatar, P.O.Box 664. The consolidated financial statements of the Bank for the year ended 31 December 2015 comprise the Bank and its following special purpose entity:

	Country of incorporation	*Capital QR’000*	*Principal Business Activities*	*Effective percentage of ownership*	
				2015	*2014*
QIIB Sukuk Ltd (i)	Cayman Islands	-	Sukuk issuance	-	-

Note:

(i) QIIB Sukuk Ltd, was incorporated in the Cayman Islands as an exempted company with limited liability for sole purpose of Sukuk issuance for the benefit of QIIB.

The Bank is engaged in banking, financing and investing activities in accordance with its Articles of Incorporation, Islamic Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Group and regulations of Qatar Central Bank.

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 27 January 2016.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”), the Islamic Shari’a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the applicable provisions of Qatar Central Bank (“QCB”) regulations and the applicable provisions of the Qatar Commercial Company’s Law No. 11 of 2015. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment securities classified as "Investments at fair value through equity" “Investments at fair value through income statement".

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals (“QR”), which is the Bank’s functional and presentational currency. Except as otherwise indicated, financial information presented in Group QR has been rounded to the nearest thousands.

2 BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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) Special purpose entities

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

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

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

(b) Investment in associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee, but not to control or joint control over those polices.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment in associates (continued)

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income; its share of post-acquisition movements in reserve is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated statement of income.

The Group's share of the results of associates is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform to the accounting policies of the Group.

The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in the consolidated statement of income.

(c) Foreign currency

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 statement of income.

Investments in associate companies are translated into Qatari Riyals at the rates ruling at the reporting date. The income or loss is translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to the foreign exchange loss on translation within the consolidated statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 statement of income.

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

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

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

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

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

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

On initial recognition, the Group 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 derecognition

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investment securities (continued)

(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 statement of income.

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

Investments at fair value through equity are re-measured 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 shareholders' 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 shareholders' in equity is transferred to the consolidated statement of income.

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 bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financing assets (continued)

Murabaha and Musawama (continued)
Based on QCB regulations, the Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

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

Ijarah Muntahia Bittamleek
Ijarah Muntahia Bittamleek 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 Muntahia Bittamleek receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisn'a
Istisna'a is a sales contract in which the Group 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.

(f) Other financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customers' current accounts, due to banks and financial institutions, Sukuk financing and certain other assets and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement 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.

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition 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 statement of income.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Other financial assets and liabilities (continued)

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

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(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.

(g) Impairment of financial assets

The Group assesses at each 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 statement of income. Impairment losses recognised in the consolidated statement of income 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 statement of income 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 statement of income, 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. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

(h) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with Qatar Central Bank and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Investment property

Investment property held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the statement of changes in equity under fair value reserve. Any unrealized losses resulting from re-measurement at fair value is recognized in the consolidated statement of financial position under fair value reserve to the extent of available balance. In case such losses exceed the available balance, the unrealized losses are recognized in the consolidated statement of income under unrealized re-measurement gains or losses on investment property. In case there are unrealized losses that have been recognized in the consolidated statement of income in a previous financial year, the unrealized gains related to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated statement of income. Any excess of such gains over such prior-year losses is added to the fair value reserve.

(j) Fixed assets

(i) Recognition and 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 cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

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 the consolidated statement of income.

(ii) Subsequent costs
The cost of replacing a component of fixed asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in consolidated statement of income as incurred.

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.

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

	Years
Buildings	20
IT equipments	3-5
Fixtures and fittings	5-7
Motor vehicles	5

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

Repairs and maintenance expenses are charged to the statement of income when incurred.

Renewals and improvement expenses concerning the Bank’s rented building are amortized during the estimated life, or to the end of leasing contract, whichever is earlier.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.
A summary of the useful lives and amortisation methods of Group's intangible assets are as follows:

	Software
Useful lives	Finite (5 years)
Amortization method used	Amortized on a straight line basis over the periods of availability
Internally generated or acquired	Acquired

(l) 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. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Customer current accounts

Balances in current accounts are recognised when received by the Group. 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.

(n) Equity of unrestricted investment account holders

Equity of unrestricted investment account holders are funds held by the Group, which it can invest at its own discretion. The unrestricted investment account holders authorises the Group to invest the account holders' funds in a manner which the Group 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 (Mudarib fees) to unrestricted investment account holders of the total income from unrestricted investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts.

(o) Distribution of profit between equity of unrestricted investment account holders and shareholders

The Group 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 unrestricted investment account holders and shareholders.
- The share of profit of unrestricted investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the unrestricted investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the yearend 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 unrestricted investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(p) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears fixed semi-annual profit and mature after 5 years from issuance date. Profits are recognised periodically till maturity. Sukuks are recognised at amoritised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(r) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly and the restructuring plan will cause losses to the Group. Future operating losses are not provided for.

(s) Employee benefits

(i) Defined contribution plans
The Group provides for its contribution to the state administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff costs in the consolidated statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

(ii) Employees' end of service benefits
The Group provides a provision for all end of service benefits payable to employees in accordance with the Group's policies, calculated on the basis of individual employee's salary and period of service at the reporting date.

(t) Share capital and reserves

(i) Share issue costs
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instrument.

(ii) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders' of the Bank.

(u) Revenue recognition

Murabaha and Musawama
Profit from Murabaha and Musawama 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 statement of income.

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 statement of income on declaration by the Mudarib.

In case Mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Group. In case of termination or liquidation, unpaid portion by Mudarib is recognized as receivable due from Mudarib.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

Istisn'a
Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

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

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

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

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

(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 Chief Executive Officer (being the chief operating decision maker) of the Bank to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(y) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non- Sharia' compliance sources. Accordingly, all non-Shari'a compliance income is credited to a charity account where the Group uses these funds for charitable purposes as defined by the Sharia Supervisory Board.

(z) Wakala payables

The Group accepts deposits from customers under wakala arrangement under which return payable to customers is agreed in the wakala agreement. There is no restriction on the Group for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) 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 reporting 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 statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "commission and fees income".

(ab) Contingent liabilities

Contingent liabilities include guarantees, letter of credit, the Group's obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements, unless they are remote.

(ac) Comparatives

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

(ad) New standards and interpretations

1.1 These financial statements have been prepared using accounting policies, which are consistent with those used in the preparation of the financial statements for the year ended 31 December 2014, except for FAS 27 and amendment to FAS 23 which have been issued by AAOIFI:

1.2 The following amendments to FAS and new FASs have been applied by the Group in preparation of these consolidated financial statements. The below were effective from 1 January 2015:

Standard
Amendment to FAS 23 – Consolidation
The amendment introduced to FAS 23 is to give clarification on the way an Islamic financial institution (IFI) should determine if financial statements of an investee company, or a subsidiary, should be consolidated with its own. The amendment provides clarification that, in addition to the existing stipulations in the standard, control may also exist through rights arising from other contractual arrangement, voting rights of the Islamic financial institutions that give de facto power over an entity, potential voting rights, or a combination of these factors.

In terms of voting rights, the amendment also clarifies that an Islamic financial institution shall consider only substantive voting rights in its assessment of whether the institution has power over an entity. In order to be substantive, the voting rights need to be exercisable when relevant decisions are required to be made and the holder of such rights must have the practical ability to exercise those rights. Determination of voting rights shall include current substantive voting rights and currently-exercisable voting rights.

The amendments and clarifications are effective for the annual financial periods ending on or after 31 December 2015. The transition provision requires retrospective application including restatement of previous period comparatives. The amendment had no impact on the financial statements of the Islamic Window.

Standard issued but not yet effective
FAS 27 – Investment Accounts
FAS 27 will replace FAS 5 - 'Disclosures of Bases for Profit Allocation between Owner's Equity and Investment Account Holders' and FAS 6 - 'Equity of Investment Account Holders and their Equivalent'. Upon adoption of this standard certain disclosures with respect to investment account holders and bases of profit allocation will be enhanced without having any significant impact on the financial statements of the Islamic Window. FAS 27 is effective for annual periods beginning 1 January 2016.

4 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

Financial instruments
Financial instruments comprises of all financial assets and liabilities of the Group. Financial assets include cash and balances with Qatar Central Bank, due from banks, investment securities, financing assets and certain other assets. Financial liabilities include customers' current accounts, due to banks and financial institutions, Sukuk financing and certain other liabilities. Financial instruments also include equity of unrestricted investment account holders and contingent liabilities and commitments included in off balance sheet items.

Risk management
The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk
- Other risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital.

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management framework
The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established various specialized committees that report directly to it and perform functions on its behalf to support efficient management practice which mainly include "Policies and Development Committee", "Executive Committee", "Risks Committee" and "Audit, Governance and Compliance Committee".

Policies and Development Committee
The membership of the committee includes five members, three of them are members of the Board of Directors, and two of them are from the senior management of the Bank. Term of membership of this committee is a maximum of three years or the mandate of the Board whichever is earlier, provided the Board have the right to reformulate the committee according to the interest of the Bank.

This committee is responsible for studying, preparing, and developing the Bank's strategies and objectives. It shall also supervise different policies, systems, plans, and balances of the Bank and approve them. Besides, it is also responsible for evaluating and developing such policies and their application procedures according to Bank's objectives, financial and Bank national and international developments, as well as rules, systems, and instructions of Qatar Central Bank.

The committee holds their ordinary meetings at least once every two months according to a request from its head and it is allowed to the committee to hold exceptional sessions according to the head's request.

The Executive Committee
The committee includes four members, three of whom are Board members and Bank' Executive Chief. Heads of Bank's units shall attend meetings of this committee if necessary without any right to participate in the vote.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

The Executive Committee (continued)
The committee performs tasks authorized to it from the Board including granting credit to the committee, renewing, and following it besides, investment resolution and capital employment in excess of powers of executive management according to powers authorized by board. The committee studies reports of executive management, investigates its commitment to achieve stipulated objectives, studying reasons behind deviation from objectives, and suggests recommendations to correct such deviations.

The committee holds its ordinary meetings at least once every two months according to a request from its head and it is allowed to the committee in urgent cases to hold exceptional sessions according to the head's request. It is allowed also to issue a decision in urgent cases and to be registered in the minute of the committee's first meeting following date of these decisions.

Risks Committee
The committee includes five members, three of whom are Board members and two are from senior management of Bank. Head of the committee and his deputy are Board members. This committee is responsible for supervising sector of credit and operations risks. It is also responsible for creating effective system for risks management, update, and develop such system to include strategy and policies of risks management in Bank and evaluating it periodically to ensure that it is suitable with changes happened to Bank's market, as well as revising reports submitted to it by risks sector regarding risks of operations, credit, and market.

The committee ensures application of policies, procedures, recommendations, and requirements of Qatar Central Bank. It also ensures that bank's risk management monitors all of risks elements and assets portfolio as well as making sure that needed requirements for preparing studies and credit analysis being applied accurately and regularly.

The committee holds its ordinary meetings periodically once every two months according to a request from its head and it is allowed to the committee in urgent cases to hold exceptional sessions according to the head's request. It is allowed to hold meeting by vote if there is a problem in holding, but at least four members should agree include head of committee and Board member and this should be registered in the minute of the committee's first meeting following date of these decisions.

Audit, Governance, and Compliance Committee
The committee includes two Board members and head of committee is assigned by Board of Directors. Tasks of audit committee has been modified starting from 2011 to include in addition to its current tasks, governance, compliance, anti money laundry and terrorism finance.

The Committee plays effective role in auditing Bank's affairs in all sectors among powers authorized to each sector. It makes sure that employees perform and apply policies, procedures, and decisions approved from the Board as well as policies and instructions of Qatar Central Bank. The committee supervises internal and external audit, assessment of performance and risks, supervising all affairs of governance and commitment management as well as anit money laundery and terrorism finance.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset will fail to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's financing assets, due from banks, investment securities and certain other assets.

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

The main types of collaterals obtained are as follows:

- For securities lending, cash or securities.
- For commercial and corporate lending, mortgages over real estate properties, inventory, cash and securities.
- For rental lending, mortgages over residential properties and securities.

Management monitors the market value of collaterals.

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

(i) Maximum exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:

	2015 ***QR'000***	*2014* *QR'000*
Balances with Qatar Central Bank	**1,666,482**	1,380,008
Due from banks	**4,612,256**	7,514,208
Financing assets	**24,978,073**	21,839,280
Investment securities	**6,862,331**	5,349,847
Other assets	**444,876**	372,107
	38,564,018	36,455,450
Other credit risk exposures:		
Unutilised financing facilities	**5,313,398**	4,741,613
Guarantees	**3,410,784**	1,385,697
Letters of credit	**626,337**	345,111
Acceptances	**35,703**	35,465
Others	**7,215**	17,681
	9,393,437	6,525,567

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.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated statement of financial position.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Concentration of risks of financial assets with credit risk exposure

Geographical sectors
The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit enhancements attached), as categorised by geographical region and based on the country of domicile of its counterparties.

2015

Assets recorded on the consolidated statement of financial position:	***Qatar***	***Other GCC***	***Other Middle East***	***Others***	***Total***
	QR'000	***QR'000***	***QR'000***	***QR'000***	***QR'000***
Balances with Qatar Central Bank	**1,666,482**	**-**	**-**	**-**	**1,666,482**
Due from banks	**4,354,096**	**48,018**	**3,280**	**206,862**	**4,612,256**
Financing assets	**24,087,339**	**-**	**-**	**890,734**	**24,978,073**
Investment securities	**6,421,718**	**262,234**	**47,432**	**130,947**	**6,862,331**
Other assets	**444,876**	**-**	**-**	**-**	**444,876**
	36,974,511	**310,252**	**50,712**	**1,228,543**	**38,564,018**

2014

Assets recorded on the consolidated statement of financial position:	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
	QR'000	*QR'000*	*QR'000*	*QR'000*	*QR'000*
Balances with Qatar Central Bank	1,380,008	-	-	-	1,380,008
Due from banks	6,189,116	845,021	4,495	475,576	7,514,208
Financing assets	21,838,946	247	33	54	21,839,280
Investment securities	4,988,656	110,186	34,745	216,260	5,349,847
Other assets	372,107	-	-	-	372,107
	34,768,833	955,454	39,273	691,890	36,455,450

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Off balance sheet items 2015	***Qatar QR'000***	***Other GCC QR'000***	***Other Middle East QR'000***	***Others QR'000***	***Total QR'000***
Unutilised financing facilities	**5,313,398**	**-**	**-**	**-**	**5,313,398**
Guarantees	**3,410,784**	**-**	**-**	**-**	**3,410,784**
Letters of credit	**626,337**	**-**	**-**	**-**	**626,337**
Acceptances	**35,703**	**-**	**-**	**-**	**35,703**
Others	**7,215**	**-**	**-**	**-**	**7,215**
	9,393,437	**-**	**-**	**-**	**9,393,437**

2014	*Qatar QR'000*	*Other GCC QR'000*	*Other Middle East QR'000*	*Others QR'000*	*Total QR'000*
Unutilised financing facilities	4,741,613	-	-	-	4,741,613
Guarantees	1,385,697	-	-	-	1,385,697
Letters of credit	345,111	-	-	-	345,111
Acceptances	35,465	-	-	-	35,465
Others	17,681	-	-	-	17,681
	6,525,567	-	-	-	6,525,567

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Industry sectors

The following table breaks down the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements, as categorised by the industry sectors of the Group's counterparties:

	Gross exposure 2015 QR'000	*Gross exposure 2014 QR'000*
Government and related entities	**10,981,118**	8,900,955
Contingent liabilities	**9,393,437**	6,525,567
Real estate	**9,139,358**	8,329,281
Services	**7,631,848**	9,978,916
Personal	**6,231,346**	6,041,476
Contracting	**1,463,186**	853,308
Commercial	**1,407,355**	1,333,866
Industry	**329,748**	235,336
Others	**1,380,057**	782,309
	47,957,453	42,981,014

Credit risk exposure

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

	2015 QR'000	*2014 QR'000*
Equivalents grades		
AAA to AA-	**10,080,611**	7,592,663
A+ to A-	**5,195,751**	5,693,511
BBB+ to BBB-	**155,771**	80,954
BB+ to B-	**2,789**	3,074
Unrated	**23,129,093**	23,085,248
	38,564,015	36,455,450

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality

The following table provides the details for the credit quality:

	Financing assets		*Due from banks*		*Investments in debt type securities*	
	2015 QR'000	*2014 QR'000*	***2015 QR'000***	*2014 QR'000*	***2015 QR'000***	*2014 QR'000*
Neither past due nor impaired (low risk):						
Gross amount	**25,966,792**	22,832,421	**4,612,256**	7,514,208	-	-
Deferred profit	**(1,560,976)**	(1,461,552)	-	-	-	-
Carrying amount	**24,405,816**	21,370,869	**4,612,256**	7,514,208		-
Past due but not impaired (special mentioned):						
Carrying amount	**388,120**	404,926		-	-	-
Impaired						
Substandard (overdue > 3 months)	**65,427**	77,988	-	-	-	-
Doubtful (overdue > 6 months)	**19,203**	23,188	-	-	-	-
Loss (overdue > 9 months)	**371,905**	127,728	-	-	-	-
	456,535	228,904	-	-	-	-
Less: Impairment allowance	**(249,404)**	(149,757)	-	-	-	-
Less: Suspended profit	**(22,994)**	(15,662)	-	-	-	-
	(272, 398)	(165,419)	-	-	-	-
Carrying amount – net	**184,137**	63,485	-	-	-	-
Investment securities						
At fair value thorugh income statement	-	-	-	-	**-**	18,189
At amoritised cost	-	-	-	-	**6,862,331**	5,331,658
Carrying amount	-	-	-	-	**6,862,331**	5,349,847
Total carrying amount	**24,978,073**	21,839,280	**4,612,256**	7,514,208	**6,862,331**	5,349,847

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 agreements.

Investments in debt-type securities carried at fair value through income statement are not assessed for impairment.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality (continued)

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

	2015 ***QR'000***	*2014* *QR'000*
Up to 30 days	**274,827**	170,127
31 to 89 days	**113,293**	234,799
Gross	**388,120**	404,926

(iv) Collateral

The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indexes of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares, mortgage interests over properties, and guarrantees or legal mortgage against the past dues financing assets.

The aggregate collateral for past due up to 30 days QR 1,106 million (2014: QR 348 million) , for past due from 31 to 60 days QR 367 million (2014: 1,077 million) and QR 630 million (2014: QR 302 million) for past due more than 90 days.

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 QR 1.3 million (2014: QR 1.7 million).

(c) Liquidity risk

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

(i) Management of liquidity risk
The Group maintains a portfolio of high quality liquid assets, largely made up of governemnet of State of Qatar Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis through liquidity stress testing scenarios and report its results to the Risks Committee for their action if needed. All liquidity policies and procedures are subject to review and approved by Board of Directors.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(i) Management of liquidity risk (continued)

The Group monitor its liquidity risk according to QCB's guidelines on Basel III through two key ratios, the Liquidity Coverage Ratio (LCR) to monitor the short term (30 days) resilience of the bank's liquidity and non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements.

(ii) Exposure to liquidity risk

A key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers, i.e total assets by maturities against total liabilities by maturities. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt-type securities for which there is an active and liquid market less any deposits from banks, sukuk 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. The Market Risks Department monitors the luquidity risks of the Bank on a daily basis and run luquidity Stress Testing in order to make sure the Bank is incompliance with QCB requirements.

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2015	*2014*
	%	%
At December 31		
Average for the year	**129**	143
Maximum for the year	**140**	167
Minimum for the year	**117**	121

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis

Maturity analysis of the Group's assets, liabilities and equity of unrestricted investment account holders are prepared on the basis of their contractual maturity. For assets, liabilities and equity of unrestricted investment account holders where there is no contractually agreed maturity date, the maturity analysis is done based on the statistical maturity.

2015	*Carrying amount QR'000*	*Less than 1 month QR'000*	*1-3 months QR'000*	*3 months – 1 year QR'000*	*1-5 years QR'000*	*More than 5 years QR'000*
Cash and balances with Qatar Central Bank	**1,919,039**	**533,408**	**-**	**-**	**-**	**1,385,631**
Due from banks	**4,612,256**	**2,453,756**	**-**	**2,158,500**	**-**	**-**
Financing assets	**24,978,073**	**3,517,384**	**2,502,335**	**6,771,686**	**9,962,757**	**2,223,911**
Investment securities	**7,043,423**	**46,509**	**224,422**	**226,878**	**5,727,515**	**818,099**
Investment in associates	**348,758**	**-**	**-**	**-**	**-**	**348,758**
Investment property	**434,640**	**-**	**-**	**-**	**251,200**	**183,440**
Fixed assets	**673,175**	**-**	**-**	**-**	**29,744**	**643,431**
Intangible assets	**16,589**	**-**	**-**	**-**	**16,589**	**-**
Other assets	**514,092**	**-**	**444,868**	**69,224**	**-**	**-**
Total assets	**40,540,045**	**6,551,057**	**3,171,625**	**9,226,288**	**15,987,805**	**5,603,270**
Due to banks and financial institutions	**4,986,561**	**848,630**	**2,580,094**	**586,537**	**971,300**	**-**
Customers' current accounts	**6,585,877**	**6,585,877**	**-**	**-**	**-**	**-**
Sukuk financing	**2,545,751**	**-**	**-**	**-**	**2,545,751**	**-**
Other liabilities	**814,710**	**24,859**	**262,117**	**483,502**	**-**	**44,232**
Total liabilities	**14,932,899**	**7,459,366**	**2,842,211**	**1,070,039**	**3,517,051**	**44,232**
Equiy of unrestricted investment account holders	**20,078,034**	**9,553,651**	**2,606,207**	**6,131,406**	**1,786,770**	**-**
Total liabilities and equity of unrestricted investment account holders	**35,010,933**	**17,013,017**	**5,448,418**	**7,201,445**	**5,303,821**	**44,232**
Maturity gap	**5,529,112**	**(10,461,960)**	**(2,276,793)**	**2,024,843**	**10,683,984**	**5,559,038**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

2014	*Carrying amount QR'000*	*Less than 1 month QR'000*	*1-3 months QR'000*	*3 months – 1 year QR'000*	*1-5 years QR'000*	*More than 5 years QR'000*
Cash and balances with Qatar Central Bank	1,622,112	390,300	-	-	-	1,231,812
Due from banks	7,514,208	4,746,667	400,565	2,366,976	-	-
Financing assets	21,839,280	2,194,817	2,121,559	5,208,661	10,172,396	2,141,847
Investment securities	5,597,786	366,926	248,867	648,143	4,051,358	282,492
Investment in associates	355,338	-	-	-	-	355,338
Investment property	486,374	-	-	-	308,433	177,941
Fixed assets	515,856	-	-	-	16,371	499,485
Intangible assets	15,521			-	15,521	-
Other assets	450,980	-	372,080	78,900	-	-
Total assets	38,397,455	7,698,710	3,143,071	8,302,680	14,564,079	4,688,915
Due to banks and financial institutions	3,338,715	1,041,785	2,290,740	6,190	-	-
Customers' current accounts	6,215,705	6,215,705	-	-	-	-
Sukuk financing	2,543,916	-	-	-	2,543,916	-
Other liabilities	508,321	44,218	233,383	207,386	-	23,334
Total liabilities	12,606,657	7,301,708	2,524,123	213,576	2,543,916	23,334
Equiy of unrestricted investment account holders	20,422,635	8,698,377	3,543,015	7,055,253	1,125,990	-
Total liabilities and equity of unrestricted investment account holders	33,029,292	16,000,085	6,067,138	7,268,829	3,669,906	23,334
Maturity gap	5,368,163	(8,301,375)	(2,924,067)	1,033,851	10,894,173	4,665,581

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

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

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group's Market Risk Department on a daily basis. Regular reports are submitted to the Risks Committee.

Non-trading portfolios primarily arise from the profit rate management of the Group's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO/Investment Committee/ Limits Committee. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by Risks Committee/Board Level) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification and management of market risk in a prudent way to ensure safeguarding interests of all shareholders. The Group views market risk management as a core competency and its purpose is not to neutralise market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

The principle tool used to measure and control market risk exposure within the Group's portfolios is Stress Testing Scenarios modelling.

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

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 100 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 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:

	100 bp parallel	
Sensitivity of net profit	***Increase QR'000***	***Decrease QR'000***
2015		
At 31 December	**5**	**(5)**
2014		
At 31 December	44	(44)

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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 fair value through income statement and fair value through equity.

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

Market Indices	*Change in equity price %*	*Effect on equity*		*Effect on profit and loss*	
		2015 QR'000	*2014 QR'000*	***2015 QR'000***	*2014 QR'000*
Qatar Exchange	**+/ - 10**	**-**	-	**4,651**	11,748
Damascus Securities Exchange	**+/ - 10**	**2,747**	3,691	**-**	-

The above analysis has been prepared on the assumption that all other variables such as profit rate, foreign exchange rate, etc are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

Currency risk
Currency risk is the risk that the value of a financial instruments will fluctuate due to a change in foreign exchange rates. The Group takes an exposure to the effect of fluctuation is prevailing foreign currency exchange rates on its financial position. The Board of Directors have set maximum limits on the level of currency exposure, which are monitored daily.

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

Currency	*Change in currency rate equity price %*	*Effect on statement of income*	
		2015 QR'000	*2014 QR'000*
Euro	**+/ - 10**	315	381
Sterling Pounds	**+/ - 10**	279	659
Others	**+/ - 10**	164,717	30,203

The Group manages its currency exposures within limits laid down by the Board of Directors. Limits are laid down for each currency individually and in total at the beginning of each year. The Qatar Riyal is pegged to the US Dollar. Although the Group is not exposed to any currency risk due to the peg, limits are set for US Dollar exposure. All other currency exposures are limited and the Group is not significantly exposed to the other currencies exposures.

(e) Operational risks

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.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks (continued)

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.

(f) 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 shareholders' 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 year.

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

The Group's regulatory capital position under Basel III and QCB regulations at 31 December was as follows:

	2015	*2014*
	Basel III	*Basel III*
Tier 1 capital	**4,747,972**	5,382,629
Tier 2 capital	**-**	-
Total regulatory capital	**4,747,972**	5,382,629

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Risk weighted assets

	2015	2014
	Basel III	*Basel III*
Risk weighted assets for credit risk	**25,565,114**	22,730,613
Risk weighted assets for market risk	**796,569**	736,835
Risk weighted assets for operational risk	**2,049,374**	1,830,033
Total risk weighted assets	**28,411,057**	25,297,481
Regulatory capital	**4,747,972**	5,382,629
Risk weighted assets as a percentage of regulatory capital (capital ratio)	**16.71%**	21.28%

The capital adequacy ratio has been calculated as per Basel III guidelines with effect from 1st January 2014 in accordance with QCB regulations. The minimum capital adequacy requirement are as follows:

- Minimum limit without capital conservation buffer is 10%
- Minimum limit including capital conservation buffer is 12.5%

5 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Allowance 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 Provisions and Past Dues Committee. Minimum impairment on specific counter parties are determined based on the QCB regulations.

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

(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.

Fair value is determined for each investment individually in accordance with the general valuation policies as set out below;

i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.

ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sells transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.

iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

iv) Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

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

(i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(i) Valuation of financial instruments (continued)

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist 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, sukuk and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

(ii) Financial asset classification

The table below analyses investment securities measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurementis categorised:

2015		***Fair value measurement using***		
	Total	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
- Unquoted debt-type investments classified at amortized cost	**3,870,220**	-	-	**3,870,220**
- Quoted debt-type investments classified at amortized cost	**2,992,111**	**2,992,111**	**-**	**-**
- Quoted equity-type investments classified as fair value through income statement	**46,508**	**46,508**	**-**	**-**
- Quoted equity-type investments classified as fair value through equity	**27,473**	**27,473**	**-**	**-**
- Unquoted equity-type investments classified as fair value through equity	**107,111**	-	-	**107,111**

2014		*Fair value measurement using*		
	Total	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*
- Quoted debt-type investments classified as fair value through income statement	18,189	18,189	-	-
- Unquoted debt-type investments classified at amortized cost	3,970,443	-	-	3,970,443
- Quoted debt-type investments classified at amortized cost	1,361,215	1,361,215	-	-
- Quoted equity-type investments classified as fair value through income statement	117,478	117,478	-	-
- Quoted equity-type investments classified as fair value through equity	36,909	36,909	-	-
- Unquoted equity-type investments classified as fair value through equity	93,552	-	-	93,552

There have been no transactions between level 1 and level 2 during the years ended 31 December 2015 and 2014.

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

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

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

(v) Useful lives of intangible assets
The Group's management determines the estimated useful life of its intangible asssets for calculating amortisation. This estimate is determined after considering the expected economic benefits to be received from the use of intangible assets.

(vi) Impairment of fair value through equity investments
The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment for fair value through equity investments, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or whether it becomes probable that that the investee will enter bankruptcy or other financial reorganization.

(vii) Valuation of investments designated at fair value through income statement
The fair value of unquoted investments designated at fair value through statement of income is determined by management using various valuation techniques. Valuation techniques employed include using a market multiples approach, a discounted cash flow analysis and a comparable transaction approach amongst others. These techniques require management to make certain assumptions and estimates about expected future cash flows, revenues, profits and expected market conditions. Management ensures that in all cases these assumptions are reasonable and realistic.

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

(vii) Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

6 OPERATING SEGMENTS

The Group has three 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 Group Management Committee reviews internal management reports on daily / monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate Includes financing, deposits and other transactions and balances with corporate customers, government and semi government institutions and SME customers.

Retail Includes financing, deposits and other transactions and balances with retail customers.

Treasury & Investments Undertakes the Group's funding and centralised risk management activities through borrowings, issue of Sukuk, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term deposits and corporate and government Sukuk.
Investments activities include the Group's trading and corporate finance activities.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, assets and liabilities growth, as included in the internal management reports that are reviewed by the ALCO committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

2015	*Corporate QR'000*	*Retail QR'000*	*Treasury & Investments QR'000*	*Total QR'000*
External revenue:				
Total income from financing and investing activities	**745,611**	**390,026**	**310,869**	**1,446,506**
Net fee and commission income	**75,225**	**51,600**	**-**	**126,825**
Net foreign exchange gains	**-**	**-**	**15,537**	**15,537**
Share of results of associates	**-**	**-**	**1,244**	**1,244**
Total segment income	**820,836**	**441,626**	**327,650**	**1,590,112**
Other material non-cash items:				
Net impairment loss on investment securities	**-**	**-**	**(13,919)**	**(13,919)**
Net impairment loss on financing assets	**(92,138)**	**(8,680)**	**-**	**(100,818)**
Net impairment loss on investment in associate	**-**	**-**	**(3,717)**	**(3,717)**
Foreign exchange loss on currency translation	**-**	**-**	**(853)**	**(853)**
Reportable segment net profit before allocation of expenses	**728,698**	**432,946**	**309,161**	**1,470,805**

6 OPERATING SEGMENTS (CONTINUED)

2014	*Corporate QR'000*	*Retail QR'000*	*Treasury & Investments QR'000*	*Total QR'000*
External revenue:				
Total income from financing and investing activities	673,224	343,102	383,614	1,399,940
Net fee and commission income	62,947	38,673	-	101,620
Gain on disposal of fixed assets	-	-	11,470	11,470
Net foreign exchange gains	-	-	17,568	17,568
Share of results of associates	-	-	(10,293)	(10,293)
Total segment income	736,171	381,775	402,359	1,520,305
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(11,426)	(11,426)
Net impairment loss on financing assets	(6,610)	(21,599)	-	(28,209)
Foreign exchange loss on currency translation	-	-	(12,679)	(12,679)
Reportable segment net profit before allocation of expenses	729,561	360,176	378,254	1,467,991

2015	***Corporate QR'000***	***Retail QR'000***	***Treasury & Investments QR'000***	***Total QR'000***
Reportable segment assets	**18,724,297**	**6,253,202**	**12,720,501**	**37,698,000**
Reportable segment liabilities and equity of unrestricted investment account holders	**8,559,440**	**18,104,471**	**7,532,312**	**34,196,223**

2014	*Corporate QR'000*	*Retail QR'000*	*Treasury & Investments QR'000*	*Total QR'000*
Reportable segment assets	16,091,909	5,747,370	14,101,900	35,941,179
Reportable segment liabilities and equity of unrestricted investment account holders	10,442,181	16,196,159	5,882,631	32,520,971

6 OPERATING SEGMENTS (CONTINUED)

The tables below provide reconciliation of reportable segment revenues, profit, assets and liabilities:

	2015	*2014*
	QR'000	*QR'000*
Profit		
Total net profit for reportable segments before allocation of	**1,470,805**	1,467,991
staff costs, depreciation, finance expense, other expenses and share of unrestricted investment account holders of profit	**(686,653)**	(642,174)
Consolidated net profit for the year	**784,152**	825,817

	2015	*2014*
	QR'000	*QR'000*
Assets		
Total assets for reportable segments	**37,698,000**	35,941,179
Other unallocated amounts	**2,842,045**	2,456,276
Consolidated total assets	**40,540,045**	38,397,455
Liabilities and equity of unrestricted investment account holders		
Total liabilities and equity of unrestricted investment account holders for reportable segments	**34,196,223**	32,520,971
Other unallocated amounts	**814,710**	508,321
Consolidated total liabilities and equity of unrestricted investment account holders	**35,010,933**	33,029,292

6 OPERATING SEGMENTS (CONTINUED)

Geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and assets are based on geographical location of the assets.

2015	*Qatar QR'000*	*Other GCC QR'000*	*Middle East other than GCC QR'000*	*Europe QR'000*	*North America QR'000*	*Rest of the World QR'000*	*Total QR'000*
External revenues	**1,490,134**	**85,152**	**(12,543)**	**19,664**	**3,233**	**4,472**	**1,590,112**
Non-current assets	**20,826,661**	**498,786**	**74,906**	**10,795**	**1,494**	**178,433**	**21,591,075**
2014							
External revenues	1,517,037	11,517	(11,245)	1,302	1,462	232	1,520,305
Non-current assets	18,568,134	351,449	41,479	53,415	183,909	54,609	19,252,995

7 FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

2015	*Fair value through statement of income QR'000*	*Fair value through equity QR'000*	*Amortised cost QR'000*	*Total carrying amount QR'000*	*Fair value QR'000*
Cash and balances with Qatar Central Bank	-	-	**1,919,039**	**1,919,039**	**1,919,039**
Due from banks	-	-	**4,612,256**	**4,612,256**	**4,612,256**
Financing assets	-	-	**24,978,073**	**24,978,073**	**24,978,073**
Investment securities:					
- Measured at fair value	**46,508**	**134,584**	-	**181,092**	**181,092**
- Measured at amortised cost	-	-	**6,862,330**	**6,862,330**	**6,826,655**
Other assets	-	-	**444,877**	**444,877**	**444,877**
	46,508	**134,584**	**38,816,575**	**38,997,667**	**38,961,992**
Due to banks and financial institutions	-	-	**4,986,561**	**4,986,561**	**4,986,561**
Customers' current accounts	-	-	**6,585,877**	**6,585,877**	**6,585,877**
Sukuk financing	-	-	**2,545,751**	**2,545,751**	**2,545,751**
Other liabilities	-	-	**814,710**	**814,710**	**814,710**
	-	-	**14,932,899**	**14,932,899**	**14,932,899**

7 FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

2014	*Fair value through statement of income QR'000*	*Fair value through equity QR'000*	*Amortised cost QR'000*	*Total carrying amount QR'000*	*Fair value QR'000*
Cash and balances with Qatar Central Bank	-	-	1,622,112	1,622,112	1,622,112
Due from banks	-	-	7,514,208	7,514,208	7,514,208
Financing assets	-	-	21,839,280	21,839,280	21,839,280
Investment securities:					
- Measured at fair value	135,667	130,461	-	266,128	266,128
- Measured at amortised cost	-	-	5,331,658	5,331,658	5,325,685
Other assets	-	-	372,107	372,107	372,107
	135,667	130,461	36,679,365	36,945,493	36,939,520
Due to banks and financial institutions	-	-	3,338,715	3,338,715	3,338,715
Customers' current accounts	-	-	6,215,705	6,215,705	6,215,705
Sukuk financing	-	-	2,543,916	2,543,916	2,543,916
Other liabilities	-	-	508,321	508,321	508,321
	-	-	12,606,657	12,606,657	12,606,657

8 CASH AND BALANCES WITH QATAR CENTRAL BANK

	2015 **QR'000**	2014 QR'000
Cash reserve with QCB (i)	**1,385,631**	1,231,812
Other balances with QCB	**280,851**	148,196
Cash	**252,557**	242,104
	1,919,039	1,622,112

(i) Cash reserve with QCB is not available for use in the Group's day to day operations.

9 DUE FROM BANKS

	2015 **QR'000**	2014 QR'000
Mudaraba placements	**4,215,382**	6,808,044
Commodity Murabaha receivable	**175,000**	364,150
Current accounts	**221,874**	342,014
	4,612,256	7,514,208

10 FINANCING ASSETS

(a) By type

	2015 **QR'000**	2014 QR'000
Murabaha and Musawama	**19,260,530**	16,974,884
Ijarah Muntahia Bittamleek	**5,147,794**	5,108,508
Istisn'a	**431,476**	207,848
Mudaraba	**263,908**	174,354
Musharaka	**5,126**	6,632
Others	**1,702,613**	994,025
Total financing assets	**26,811,447**	23,466,251
Less: Deferred profit	**(1,560,976)**	(1,461,552)
Impairment allowance for financing assets	**(249,404)**	(149,757)
Suspended profit	**(22,994)**	(15,662)
Net financing assets	**24,978,073**	21,839,280

Total carrying amount of Istisn'a contracts under processing is QR 509 million (2014: QR 266million).

During the year, the Bank had written off fully provided bad debts after meeting conditions stipulated in the instructions of QCB amounting to QR 1.3 million (2014: QR 1.7 million).

The total non-performing financing assets at 31 December 2015 amounted to QR 456 million, representing 1.70% of the gross financing assets (2014: QR 229 million, representing 0.98%)

10 FINANCING ASSETS (CONTINUED)

(a) By type (continued)

Net financing assets distributed by nature of the customer is as follows:

	2015 QR'000	*2014 QR'000*
Corporate	**15,555,927**	13,228,329
Retail and others	**6,155,944**	5,684,967
Government and related agencies	**3,266,202**	2,925,984
	24,978,073	21,839,280

(b) Movement in impairment of financing assets and suspended profit is as follows:

	2015			*2014*		
	Impairment QR'000	***Suspended profit QR'000***	***Total QR'000***	*Impairment QR'000*	*Suspended profit QR'000*	*Total QR'000*
Balance at 1 January	**149,757**	**15,662**	**165,419**	123,205	13,286	136,491
Provisions provided during the year	**108,680**	**7,496**	**116,176**	28,209	2,387	30,596
Recoveries during the year	**(7,862)**	-	**(7,862)**	-	-	-
Written off during the year	**(1,171)**	**(164)**	**(1,335)**	(1,657)	(11)	(1,668)
Balance at 31 December	**249,404**	**22,994**	**272,398**	149,757	15,662	165,419

(c) Movement in the impairment of financing assets - sector wise:

	Corporate QR'000	***Retail QR'000***	***Total QR'000***
Balance at 1 January 2015	**20,752**	**129,005**	**149,757**
Provided during the year	**100,000**	**8,680**	**108,680**
Recoveries during the year	**(7,862)**	**-**	**(7,862)**
Written off	**(79)**	**(1,092)**	**(1,171)**
Balance at 31 December 2015	**112,811**	**136,593**	**249,404**

	Corporate QR'000	*Retail QR'000*	*Total QR'000*
Balance at 1 January 2014	15,279	107,926	123,205
Provided during the year	6,610	21,599	28,209
Written off	(1,137)	(520)	(1,657)
Balance at 31 December 2014	20,752	129,005	149,757

10 FINANCING ASSETS (CONTINUED)

(d) By sector

2015	*Murabaha and Musawama QR'000*	*Musharaka QR'000*	*Ijarah Muntahia Bittamleek QR'000*	*Istisna'a QR'000*	*Mudaraba QR'000*	*Others QR'000*	*Total QR'000*
Government and related entities	**2,179,789**	**-**	**-**	**-**	**-**	**1,202,161**	**3,381,950**
Industry	**267,052**	**-**	**40,881**	**35,053**	**-**	**976**	**343,962**
Commercial	**1,181,918**	**-**	**263,918**	**2,544**	**8,117**	**14,927**	**1,471,424**
Services	**1,935,850**	**-**	**342,000**	**3,079**	**6,000**	**4,156**	**2,291,085**
Contracting	**759,427**	**-**	**48,598**	**95,300**	**249,791**	**390,881**	**1,543,997**
Real estate	**4,808,156**	**-**	**4,357,789**	**262,734**	**-**	**42,938**	**9,471,617**
Personal	**7,094,472**	**5,126**	**41,297**	**-**	**-**	**18,521**	**7,159,416**
Others	**1,033,866**	**-**	**53,311**	**32,766**	**-**	**28,053**	**1,147,996**
Total financing assets	**19,260,530**	**5,126**	**5,147,794**	**431,476**	**263,908**	**1,702,613**	**26,811,447**
Less: Deferred profit							**(1,560,976)**
Impairment allowance for financing assets							**(249,404)**
Suspended profit							**(22,994)**
Net financing assets							**24,978,073**

Note:
Details of financing assets related to the Sukuk issued during 2012 are disclosed in Note 19.

10 FINANCING ASSETS (CONTINUED)

(d) By sector (continued)

2014	*Murabaha and Musawama QR'000*	*Musharaka QR'000*	*Ijarah Muntahia Bittamleek QR'000*	*Istisna'a QR'000*	*Mudaraba QR'000*	*Others QR'000*	*Total QR'000*
Government and related entities	2,240,916	-	-	-	-	868,107	3,109,023
Industry	206,250	-	20,122	21,786	-	2,809	250,967
Commercial	1,115,647	-	286,539	-	-	28,045	1,430,231
Services	1,461,372	-	395,065	-	6,100	656	1,863,193
Contracting	719,480	-	17,651	-	168,254	6,130	911,515
Real estate	4,357,453	-	4,322,847	169,062	-	37,026	8,886,388
Personal	6,492,847	6,632	28,291	-	-	49,716	6,577,486
Others	380,919	-	37,993	17,000	-	1,536	437,448
Total financing assets	16,974,884	6,632	5,108,508	207,848	174,354	994,025	23,466,251
Less: Deferred profit							(1,461,552)
Impairment allowance for financing assets							(149,757)
Suspended profit							(15,662)
Net financing assets							21,839,280

11 INVESTMENT SECURITIES

	2015			2014		
	Quoted QR'000	***Unquoted QR'000***	***Total QR'000***	*Quoted QR'000*	*Unquoted QR'000*	*Total QR'000*
Investments classified as fair value through income statement						
• equity-type investments	**46,508**	-	**46,508**	117,478	-	117,478
• debt-type investments						
- Fixed rate	-	-	-	18,189	-	18,189
	46,508	-	**46,508**	135,667	-	135,667
Debt-type investments classified at amortised cost (i)						
- State of Qatar Sukuk	**2,400,899**	**2,424,423**	**4,825,322**	625,221	3,947,144	4,572,365
- Fixed rate	**591,212**	**1,443,918**	**2,035,130**	735,994	18,918	754,912
- Floating rate	-	**1,879**	**1,879**	-	4,381	4,381
	2,992,111	**3,870,220**	**6,862,331**	1,361,215	3,970,443	5,331,658
Equity-type investments classified as fair value through equity	**27,473**	**107,111**	**134,584**	36,909	93,552	130,461
	3,066,092	**3,977,331**	**7,043,423**	1,533,791	4,063,995	5,597,786

Notes:

(i) The fair value of the investments carried at amortised cost as at 31 December 2015 amounted to QR 6,827 million (2014: QR 5,326 million).

(ii) The fair value hierarchy and the transfers between categories of fair value hierarchy are disclosed in Note 5 (b).

11 INVESTMENT SECURITIES (CONTINUED)

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

	2015			*2014*		
	Positive fair value QR'000	***Negative fair value QR'000***	***Total QR'000***	*Positive fair value QR'000*	*Negative fair value QR'000*	*Total QR'000*
Balance at 1 January	**-**	**-**	**-**	16,075	(321)	15,754
Net change in fair value	**3,951**	**-**	**3,951**	(16,075)	321	(15,754)
Balance at 31 December	**3,951**	**-**	**3,951**	-	-	-

During the year ended 31 December 2015, the Group has not recognised fair value change in the consolidated statement of income (2014: QR 15,754 thousands).

The movement in impairment of debt-type securities carried at amortised cost and equity-type securities carried at fair value through equity (i) is as follows:

	2015 QR'000	*2014 QR'000*
Balance at 1 January	**94,040**	86,093
Charge during the year	**13,919**	11,426
Adjustments made during the year	**(3,365)**	(3,479)
Balance at 31 December	**104,594**	94,040

Note:

(i) For 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.

12 INVESTMENT IN ASSOCIATES

	2015	*2014*
	QR'000	*QR'000*
Balance at 1 January	**355,338**	371,536
Advances for an associate's capital increase (i)	**-**	54,965
Foreign currency translation loss	**(853)**	(12,679)
Transferred to equity-type investments classified as fair value through equity	**-**	(38,220)
Share of results	**1,244**	(10,293)
Cash dividends received	**(3,254)**	(9,971)
Impairment provided during the year	**(3,717)**	-
Balance at 31 December	**348,758**	355,338

The Group has the following investments in associates:

Name of the Company	***Company's activities***	***Country of incorporation***	***Ownership percentage***	***2015 QR'000***	*2014 QR'000*
Mackeen Holding Q.P.S.C.	Real estate	Qatar	**49%**	**292,097**	293,703
Al Tashelat Islamic Company W.L.L.	Financing	Qatar	**49%**	**51,765**	52,603
Syria Islamic Insurance Company (i)	Insurance	Syria	**20%**	**-**	4,570
Al Moqawil Company W.L.L.	Contracting	Qatar	**49%**	**4,896**	4,462
				348,758	355,338

Note:

(i) During the year ended 31 December 2015, the bank has provided an amount of QR 3,717 thousand, as impairment loss on its associate *"Syria Islamic Insurance Company"*, as the total provision reaches 100% of the investment's carrying amount.

12 INVESTMENT IN ASSOCIATES (CONTINUED)

The financial position and revenue of associates based on its financial statements which were considered by the Group for the year ended 31 December 2015 are as follows:

31 December 2015	*Syrian International Islamic Bank QR'000*	*Al Tashelat Islamic Company W.L.L. QR'000*	*Al Moqawil Company W.L.L. QR'000*	*Syria Islamic Insurance Company QR'000*	*Mackeen Holding Q.P.S.C. QR'000*	*Total QR'000*
Total assets	**-**	**126,508**	**10,590**	**48,209**	**1,017,866**	**1,203,173**
Total liabilities	**-**	**27,506**	**90**	**25,702**	**367,884**	**421,182**
Total revenue	**-**	**16,191**	**2,905**	**5,690**	**42,701**	**67,487**
Share of profit / (loss)	**-**	**2,415**	**434**	**-**	**(1,605)**	**1,244**

12 INVESTMENT IN ASSOCIATES (CONTINUED)

31 December 2014	*Syrian International Islamic Bank QR'000*	*Al Tashelat Islamic Company W.L.L. QR'000*	*Al Moqawil Company W.L.L. QR'000*	*Syria Islamic Insurance Company QR'000*	*Mackeen Holding Q.P.S.C. QR'000*	*Total QR'000*
Total assets	-	141,320	10,943	48,209	1,119,110	1,319,582
Total liabilities	-	41,514	106	25,702	458,441	525,763
Total revenue	-	28,938	1,961	5,690	81,869	118,458
Share of (loss) / profit	(9,669)	8,533	374	-	(9,531)	(10,293)

13 INVESTMENT PROPERTY

	2015	*2014*
	QR'000	*QR'000*
Balance at 1 January	**486,374**	591,349
Additions	**-**	15,408
Disposals	**(47,686)**	(116,506)
Depreciation during the year	**(4,048)**	(3,877)
	434,640	486,374

Note:
The fair value of investment property as at 31 December 2015 is QR 1,108 million (2014: QR 1,270 million).

The fair value of investments property based on average valuations performed by independent valuers possessing relevant professional qualification, with recent experience in the location and category of the properties being fair valued, as of 31 December 2015 and 31 December 2014. The fair values have been determined based on recent transactions in the market, the independent valuers' knowledge and professional judgment.

Investment property are located in the State of Qatar, KSA and UAE

Rental income included in the consolidated statement of income from investment property amounted to QR 25,170 thousand (2014: QR 24,038 thousand).

Direct operating expenses (including repairs and maintenance) amounting to QR 377 thousand (2014: QR 454 thousand) arising from investment property that generate rental income during the year are included in the consolidated statement of income under other expenses.

Investment property include the Bank's share of QR 180,026 thousand (2014: QR 218,163 thousand) which are jointly owned with related parties and other third parties and are subject to normal conditions applicable to joint ownership.

The Group's investment property is not subject to any other charge, pledge or restriction on transfer of title.

14 FIXED ASSETS

	Land and Buildings QR'000	*IT equipments QR'000*	*Fixtures and fittings QR'000*	*Motor vehicles QR'000*	*Total QR'000*
Cost					
Balance at 1 January 2015	**505,416**	**73,019**	**60,569**	**1,505**	**640,509**
Additions	**103,333**	**16,436**	**46,118**	**564**	**166,451**
Disposals	**-**	**-**	**-**	**(501)**	**(501)**
Balance at 31 December 2015	**608,749**	**89,455**	**106,687**	**1,568**	**806,459**
Balance at 1 January 2014	397,075	60,239	57,493	1,337	516,144
Additions	132,822	12,780	3,076	688	149,366
Disposals	(24,481)	-	-	(520)	(25,001)
Balance at 31 December 2014	505,416	73,019	60,569	1,505	640,509
Accumulated depreciation					
Balance at 1 January 2015	**16,321**	**56,648**	**50,938**	**746**	**124,653**
Depreciation charged during the year	**1,258**	**4,051**	**3,487**	**257**	**9,053**
Related to disposals	**-**	**-**	**-**	**(422)**	**(422)**
Balance at 31 December 2015	**17,579**	**60,699**	**54,425**	**581**	**133,284**
Balance at 1 January 2014	15,059	51,085	46,692	1,102	113,938
Depreciation charged during the year	1,262	5,563	4,246	164	11,235
Related to disposals	-	-	-	(520)	(520)
Balance at 31 December 2014	16,321	56,648	50,938	746	124,653
Carrying amounts					
Balance at 31 December 2014	489,095	16,371	9,631	759	515,856
Balance at 31 December 2015	**591,170**	**28,756**	**52,262**	**987**	**673,175**

15 INTANGIBLE ASSETS

	Software QR'000	*Work in progress QR'000*	*Total QR'000*
Cost			
Balance at 1 January 2015	**-**	**15,521**	**15,521**
Additions	**-**	**3,462**	**3,462**
Transfers	**18,983**	**(18,983)**	**-**
Amortisation during the year	**(2,394)**	**-**	**(2,394)**
Balance at 31 December 2015	**16,589**	-	**16,589**
Balance at 1 January 2014	-	294	294
Additions	-	15,227	15,227
Amortisation during the year	-	-	-
Balance at 31 December 2014	-	15,521	15,521

16 OTHER ASSETS

	2015 QR'000	2014 QR'000
Accrued profit	**357,039**	286,242
Prepayments and advances	**69,216**	78,872
Sundry debtors	**7**	28
Others	**87,830**	85,838
	514,092	450,980

17 DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2015 QR'000	2014 QR'000
Wakala payable	**4,756,986**	3,122,963
Current accounts	**229,575**	215,752
	4,986,561	3,338,715

Note:

Wakala payable includes various facilities with maturities ranging from 13 days to 29 months and carries profit rates of 0.40 % - 2.35% (2014: 0.20 % - 0.75%).

18 CUSTOMERS' CURRENT ACCOUNTS

	2015 QR'000	2014 QR'000
Current accounts by sector:		
- Individuals	**3,467,629**	3,256,151
- Corporate	**2,387,872**	2,302,418
- Government	**727,034**	652,248
- Non-Banking Financial Institutions	**3,342**	4,888
	6,585,877	6,215,705

19 SUKUK FINANCING

On 18 October 2012 , the Bank raised USD 700 million (QR 2,549 million) through a 5 year Sharia'a compliant Sukuk financing arrangement (the "Sukuk"). The Sukuk is listed at the Irish Stock Exchange. The Sukuk issue cost of QR 8.7 million is amortised over the tenor of the Sukuk life.

According to the terms of the arrangement, the Bank has transferred certain identified assets ("the Sukuk assets") to QIIB Sukuk Ltd (the "Issuer"), an entity incorporated in Cayman Islands for that purpose.

The Sukuk bear a fixed annual profit rate of 2.688% payable to the investors on a semi-annual basis. The issuer will pay the distribution amount from returns received in respect of the Sukuk assets.

The Bank controls the Sukuk assets which will continue to be serviced by the Bank. Upon maturity of the Sukuk, the Bank has undertaken to repurchase the Sukuk assets at the exercise price of USD 700 million.

The details of financing assets related to the Sukuk as at 31 December are as follows:

At 31 December	***2015*** ***QR'000***	*2014* *QR'000*
Ijarah Muntahia Bittamleek	**2,263,731**	2,529,465
Musawama	**362,824**	28,772
Total financing assets related to the Sukuk	**2,626,555**	2,558,237

20 OTHER LIABILITIES

	2015 ***QR'000***	*2014* *QR'000*
Manager cheques	**413,574**	156,178
Cash margins	**100,940**	93,866
Accrued expenses	**46,444**	49,970
Retention from suppliers	**38,106**	33,748
Dividend payable	**33,438**	27,055
Accrued profit distribution to Sukuk holders and banks	**28,602**	14,856
Employees' end of service benefits (i)	**27,906**	23,333
Contribution to Social and Sports fund	**19,604**	20,645
Customers advances	**15,613**	12,255
Clearing suspense accounts	**13,734**	11,073
NAPS and visa settlements	**9,246**	11,317
Unclaimed balances	**3,220**	2,597
Others	**64,283**	51,428
	814,710	508,321

Note:
(i) Movement in employees' end of service benefits is as follows:

	2015 ***QR'000***	*2014* *QR'000*
Balance at 1 January	**23,333**	20,248
Charge for the year (Note 27)	**8,056**	3,460
Payments made during the year	**(3,483)**	(375)
Balance at 31 December	**27,906**	23,333

21 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2015 *QR'000*	2014 *QR'000*
Unrestricted investment account holders balance before share of profit	**20,016,761**	20,374,940
Add: Profits for unrestricted investment account holders for the year (a)	**269,063**	280,689
Less: Profit paid during the year	**(209,864)**	(232,994)
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	**20,075,960**	20,422,635

By type:	**2015** *QR'000*	2014 *QR'000*
Term accounts	**13,414,463**	13,931,197
Saving accounts	**6,661,497**	6,491,438
Total (b)	**20,075,960**	20,422,635
By sector:		
Retail	**12,253,249**	11,696,290
Government	**2,362,640**	3,856,008
Corporate	**4,067,314**	3,133,144
Non-banking financial institution	**619,075**	903,012
Semi government organizations	**773,682**	834,181
Total (b)	**20,075,960**	20,422,635

	2015 *QR'000*	2014 *QR'000*
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	**20,075,960**	20,422,635
Share in fair value reserve	**2,074**	-
Total unrestricted investment account holders balance	**20,078,034**	20,422,635

Share of unrestricted investment account holders' of the profit for the year before the bank's share as Mudarib	**652,648**	590,509
Bank's share as Mudarib	**(429,525)**	(386,780)
Support provided by the bank	**45,940**	76,960
Net return to unrestricted investment account holders (a)	**269,063**	280,689

22 SHAREHOLDERS EQUITY

(a) Share capital

At 31 December	***Number of shares (thousand)***	
	2015	*2014*
Issued and fully paid*	**151,369**	151,369

* Issued and fully paid capital of QR 1,513,687 thousands comprises 151.4 million shares with a nominal value of QR 10 each, (2014: QR 1,513,687 thousands comprises 151.4 million shares with a nominal value of QR 10 each).

(b) Legal reserve

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 11 of 2015 and after QCB approval. No appropriation was made in the current year (2014: Nil) as the legal reserve equal more than 100% of the paid up share capital.

(c) Risk reserve

In accordance with QCB regulations, the minimum requirement for risk reserve is 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 – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount transferred to the risk reserve during the year amounted to QR 74 million (2014: QR 62 million).

(d) Fair value reserves

Fair value reserve represents unearned profits or losses at year end. The profit is not available for distribution unless realised and charged to the statement of income.

	2015 ***QR'000***	*2014* *QR'000*
Investments carried as fair value through equity:		
Balance at 1 January	-	6,520
Revaluation for the year	**3,951**	-
Fair value reserve movement	-	(6,520)
Share of unrestricted investment account holders	**(2,074)**	-
As at 31 December	**1,877**	-

22 SHAREHOLDERS EQUITY (CONTINUED)

(e) Other reserves

Other reserves include the undistributed share of the associate's profit after deducting dividends received.

Movements in the undistributed share of associates profit are as follows:

	2015 ***QR'000***	*2014* *QR'000*
Undistributed share of associates profit		
Balance at 1 January	**84,882**	125,860
Less: Dividend received from associates	**(3,254)**	(9,971)
Less: Related to associate reclassification	**-**	(45,251)
Add: Undistributed profit of associates for the year	**2,849**	14,244
Transfer to other reserves	**-**	(40,978)
Balance at 31 December	**84,477**	84,882

(f) Proposed cash dividends

The Board of Directors has proposed a cash dividend of 40 % of paid up share capital amounting to QR 605,48 million – QR 4 per share (2014: 40 % of paid up share capital amounting to QR 605,48 million – QR 4 per share) which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

23 NET INCOME FROM FINANCING ACTIVITIES

	2015 ***QR'000***	*2014* *QR'000*
Murabaha and Musawama	**828,819**	690,283
Ijarah Muntahia Bittamleek	**275,059**	299,935
Mudaraba	**15,186**	15,369
Istisn'a	**16,240**	10,258
Musharaka	**333**	611
	1,135,637	1,016,456

24 NET INCOME FROM INVESTING ACTIVITIES

	2015 ***QR'000***	*2014* *QR'000*
Income from investment in debt-type instruments	**193,581**	198,166
Net gain on sale of investment in real estate	**67,811**	88,722
Rental income from investment property	**25,170**	24,038
Income from inter-bank placements with Islamic banks	**24,627**	28,313
Net gain from debt-type investments	**12,375**	19,005
Dividend income	**2,936**	5,215
Income from QCB treasury bills	**2,025**	4,781
Net gain from equity-type investments	**(17,657)**	15,244
	310,869	383,484

25 NET FEE AND COMMISSION INCOME

	2015	*2014*
	QR'000	*QR'000*
Fee and commission income		
Commission on local financing	**68,848**	59,458
Bank charges	**70,674**	56,826
Commission on letters of credit and guarantees	**20,311**	13,364
	159,833	129,648
Fee and commission expense	**(33,008)**	(28,028)
Net fee and commission income	**126,825**	101,620

26 NET FOREIGN EXCHANGE GAINS

	2015	*2014*
	QR'000	*QR'000*
Dealing in foreign currencies	**13,590**	18,620
Revaluation of assets and liabilities	**1,947**	(1,052)
	15,537	17,568

27 STAFF COSTS

	2015	*2014*
	QR'000	*QR'000*
Basic salaries	**61,340**	51,026
Housing allowance	**26,201**	21,396
Staff indemnity costs (Note 20)	**8,056**	3,460
Staff pension fund costs	**3,791**	2,056
Training	**1,381**	1,500
Other staff benefits	**66,869**	74,699
	167,638	154,137

28 OTHER EXPENSES

	2015 **QR'000**	2014 QR'000
Rent	**26,065**	18,437
Computer and ATMs expenses	**23,093**	14,278
Telephone, telex and post	**15,471**	18,316
Board of Directors remuneration	**11,974**	13,531
Advertising and promotion	**12,270**	16,592
Professional fees	**11,392**	5,429
Fees and subscriptions	**7,249**	8,541
Maintenance and cleaning expenses	**4,001**	3,544
Investment expenses	**2,935**	2,361
Stationery and printing	**1,603**	1,523
Business travelling expenses	**1,317**	2,040
Insurance	**1,210**	3,261
Water and electricity	**1,010**	1,016
Security service expenses	**982**	1,013
Hospitality expenses	**951**	936
Shari'a Committee remuneration	**811**	800
Donations	**75**	1,406
Miscellaneous expenses	**1,643**	1,152
	124,052	114,176

29 CONTINGENT LIABILITIES AND COMMITMENTS

	2015 **QR'000**	2014 QR'000
Contingent liabilities		
Unused fiancing facilities	**5,313,398**	4,741,613
Guarantees	**3,410,784**	1,385,697
Letters of credit	**626,337**	345,111
Acceptances	**35,703**	35,465
Others	**7,215**	17,681
	9,393,437	6,525,567

Unused financing facilities
Commitments to extend credit represent contractual commitments to make financings and revolving financing. The majority of these expire in the next year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Acceptances, Guarantees and Letters of Credit
Acceptances, guarantees and letters of credit commit the Group to make payments on behalf of customers in case of a specific event. Guarantees and standby letters of credit carry the same credit risk as financing.

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

Geographical sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

2015	*Qatar QR'000*	*Other GCC QR'000*	*Europe QR'000*	*North America QR'000*	*Others QR'000*	*Total QR'000*
Cash and balances with Qatar Central Bank	**1,919,039**	**-**	**-**	**-**	**-**	**1,919,039**
Due from banks	**4,354,096**	**48,018**	**163,715**	**39,994**	**6,433**	**4,612,256**
Financing assets	**24,087,338**	**-**	**890,690**	**-**	**45**	**24,978,073**
Investment securities	**6,468,226**	**310,147**	**10,795**	**1,494**	**252,761**	**7,043,423**
Investment in associates	**348,758**	**-**	**-**	**-**	**-**	**348,758**
Investment property	**246,001**	**188,639**	**-**	**-**	**-**	**434,640**
Fixed assets	**673,175**	**-**	**-**	**-**	**-**	**673,175**
Intangible assets	**16,589**					**16,589**
Other assets	**514,092**	**-**	**-**	**-**	**-**	**514,092**
Total assets	**38,627,314**	**546,804**	**1,065,200**	**41,488**	**259,239**	**40,540,045**
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks and financial institutions	**649,344**	**4,111,929**	**5,424**	**9,146**	**210,718**	**4,986,561**
Customers' current accounts	**6,584,188**	**842**	**79**	**116**	**652**	**6,585,877**
Sukuk financing	**2,545,751**	**-**	**-**	**-**	**-**	**2,545,751**
Other liabilities	**814,710**	**-**	**-**	**-**	**-**	**814,710**
Total liabilities	**10,593,993**	**4,112,771**	**5,503**	**9,262**	**211,370**	**14,932,899**
Equity of unrestricted investment account holders	**19,175,184**	**901,275**	**1**	**5**	**1,569**	**20,078,034**
Total liabilities and equity of unrestricted investment account holders	**29,769,177**	**5,014,046**	**5,504**	**9,267**	**212,939**	**35,010,933**

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

Geographical sector (continued)

2014	*Qatar QR'000*	*Other GCC QR'000*	*Europe QR'000*	*North America QR'000*	*Others QR'000*	*Total QR'000*
Cash and balances with Qatar Central Bank	1,622,112	-	-	-	-	1,622,112
Due from banks	6,189,116	845,021	232,509	211,229	36,333	7,514,208
Financing assets	21,838,946	247	-	-	87	21,839,280
Investment securities	5,106,135	162,809	18,671	183,909	126,262	5,597,786
Investment in associates	350,768	-	-	-	4,570	355,338
Investment property	297,735	188,639	-	-	-	486,374
Fixed assets	515,856	-	-	-	-	515,856
Intangible assets	15,521					15,521
Other assets	450,980	-	-	-	-	450,980
Total assets	36,387,169	1,196,716	251,180	395,138	167,252	38,397,455
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks and financial institutions	787,899	2,330,924	6,269	-	213,623	3,338,715
Customers' current accounts	6,213,845	828	-	-	1,032	6,215,705
Sukuk financing	2,543,916	-	-	-	-	2,543,916
Other liabilities	508,321	-	-	-	-	508,321
Total liabilities	10,053,981	2,331,752	6,269	-	214,655	12,606,657
Equity of unrestricted investment account holders	19,692,781	728,581	36	7	1,230	20,422,635
Total liabilities and equity of unrestricted investment account holders	29,746,762	3,060,333	6,305	7	215,885	33,029,292

31 MATURITY PROFILE

2015	*Up to 3 months QR'000*	*3 to 6 months QR'000*	*6 months - 1 year QR'000*	*1 to 3 years QR'000*	*Over 3 years QR'000*	*Total QR'000*
Cash and balances with Qatar Central Bank	533,408	-	-	-	1,385,631	1,919,039
Due from banks	4,612,256	-	-	-	-	4,612,256
Financing assets	6,019,718	3,429,143	3,342,543	6,206,516	5,980,153	24,978,073
Investment securities	270,930	75,000	151,878	4,619,242	1,926,373	7,043,423
Investment in associates	-	-	-	-	348,758	348,758
Investment property			-	251,199	183,441	434,640
Fixed assets	-	-	-	-	673,175	673,175
Intangible assets	-	-	-	-	16,589	16,589
Other assets	444,869	69,223	-	-	-	514,092
Total assets	11,881,181	3,573,366	3,494,421	11,076,957	10,514,120	40,540,045
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks and financial institutions	3,428,724	586,537	-	971,300	-	4,986,561
Customers' current accounts	6,585,877	-	-	-	-	6,585,877
Sukuk financing	-	-	-	2,545,751	-	2,545,751
Other liabilities	286,976	28,602	454,900	-	44,232	814,710
Total liabilities	10,301,577	615,139	454,900	3,517,051	44,232	14,932,899
Equity of unrestricted investment account holders	12,159,859	3,172,725	2,958,680	1,786,770	-	20,078,034
Total liabilities and equity of unrestricted investment account holders	22,461,436	3,787,864	3,413,580	5,303,821	44,232	35,010,933
Maturity gap	(10,580,255)	(214,498)	80,841	5,773,136	10,469,888	5,529,112

31 MATURITY PROFILE (CONTINUED)

2014	*Up to 3 months QR'000*	*3 to 6 months QR'000*	*6 months - 1 year QR'000*	*1 to 3 years QR'000*	*Over 3 years QR'000*	*Total QR'000*
Cash and balances with Qatar Central Bank	390,300	-	-	-	1,231,812	1,622,112
Due from banks	5,147,232	-	2,366,976	-	-	7,514,208
Financing assets	4,316,376	2,569,327	2,639,334	6,208,650	6,105,593	21,839,280
Investment securities	615,794	248,828	399,313	1,320,520	3,013,331	5,597,786
Investment in associates	-	-	-	-	355,338	355,338
Investment property	-		-	308,434	177,940	486,374
Fixed assets	-	-	-	16,370	499,486	515,856
Intangible assets	-	-	-	-	15,521	15,521
Other assets	372,080	78,900	-	-	-	450,980
Total assets	10,841,782	2,897,055	5,405,623	7,853,974	11,399,021	38,397,455
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks and financial institutions	3,332,524	6,191	-	-	-	3,338,715
Customers' current accounts	6,215,705	-	-	-	-	6,215,705
Sukuk financing	-	-	-	2,543,916	-	2,543,916
Other liabilities	256,956	35,506	192,526	-	23,333	508,321
Total liabilities	9,805,185	41,697	192,526	2,543,916	23,333	12,606,657
Equity of unrestricted investment account holders	12,241,392	4,431,961	2,623,292	1,125,990	-	20,422,635
Total liabilities and equity of unrestricted investment account holders	22,046,577	4,473,658	2,815,818	3,669,906	23,333	33,029,292
Maturity gap	(11,204,795)	(1,576,603)	2,589,805	4,184,068	11,375,688	5,368,163

32 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to the shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2015	*2014*
Net profit for the year attributable to the shareholders of the Bank (QR'000)	**784,152**	825,817
Weighted average number of outstanding shares (thousands)	**151,369**	151,369
Basic and diluted earnings per share (QR)	**5.18**	5.45

33 CASH AND CASH EQUIVALENTS

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

	2015 ***QR'000***	*2014* *QR'000*
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	**533,408**	390,300
Due from banks	**2,453,756**	5,147,232
	2,987,164	5,537,532

The cash reserve with Qatar Central Bank is excluded as it is not used in the day-to-day operations of the Group.

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 major shareholders and entities over which the Group and the shareholders' exercise significant influence, directors and executive management of the Group.

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

	2015			*2014*		
	Associate companies QR'000	***Board of Directors QR'000***	***Sharholders and others QR'000***	*Associate Companies QR'000*	*Board of Directors QR'000*	*Sharholders and others QR'000*
Assets:						
Financing assets	**18,316**	**700,376**	**2,796,260**	34,130	602,161	2,126,390
Equity of unrestricted investment account holders	**31,125**	**109,858**	**336,332**	3,505	36,454	93,727
Off balance sheet items:						
Contingent liabilities, guaranees and other commitments	**4,668**	**200**	**81,134**	10,060	200	63,286
Consolidated statement of income items:						
Income from financing assets	**1,007**	**38,521**	**153,794**	1,877	33,119	116,951
Profit paid on deposits	**467**	**1,648**	**5,045**	53	547	1,406
Board remunerations	**-**	**11,974**	**-**	-	13,531	-

Transactions with key maangement personnel

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

	2015 QR'000	*2014 QR'000*
Mortgage and other secured financings	**2,241**	1,195
Credit card	**44**	43
	2,285	1,238

Key management personnel compensation for the year comprised:

	2015 QR'000	*2014 QR'000*
Short-term benefits	**12,662**	12,149
Long-term benefits	**801**	785
	13,463	12,934

35 ZAKAH

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

36 SHARI'A SUPERVISORY BOARD

The Shari'a Supervisory Board of the Group consists of 3 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.

37 SOCIAL AND SPORTS FUNDS APPROPRIATION

The Group discharges its social responsibilities through donations to charitable causes and organizations when profits are reported. The Group has created provisions during the year of 2015 by QR 19.6 million which represents 2.5% of net profit as per Law No.13 for year 2008 and explanatory notes issued for 2010 (2014: QR 21 million).

38 COMPARATIVE FIGURES

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

RECLASSIFICATION

	31 December 2014		
	After Reclassification QR'000	***Reclassification QR'000***	***Before Reclassification QR'000***
Consolidated statement of financial position			
Intangible assets	15,521	15,521	-
Other assets	450,980	(15,521)	466,501