Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

30 SEPTEMBER 2016

REPORT ON REVIEW OF UNAUIDTED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C)

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Qatar International Islamic Bank (Q.S.C) ("QIIB" or the "Bank") and its subsidiary (together referred to as the "Group") as at 30 September 2016, and the related interim consolidated statement of income for the three-month and nine-month periods ended 30 September 2016, and the related interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-month period then ended and the related explanatory notes.

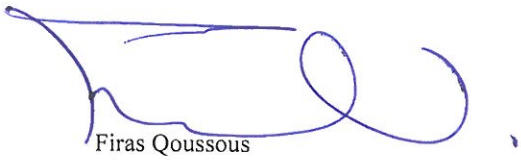
Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the accounting policies disclosed in note 2. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consist of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with the accounting policies disclosed in note 2.



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

Date: 24 October 2016
Doha

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	*30 September 2016 (Unaudited) QR'000*	*31 December 2015 (Audited) QR'000*	*30 September 2015 (Unaudited) QR'000*
Assets				
Cash and balances with Qatar Central Bank		**1,865,579**	1,919,039	1,730,340
Due from banks		**5,142,768**	4,612,256	3,620,660
Financing assets	6	**26,833,377**	24,978,073	24,360,707
Investment securities	7	**7,189,099**	7,043,423	7,015,774
Investment in associates		**347,892**	348,758	347,537
Investment properties		**431,602**	434,640	483,336
Fixed assets		**670,642**	673,175	657,490
Intangible assets		**18,776**	16,589	12,793
Other assets		**592,199**	514,092	611,986
Total assets		**43,091,934**	40,540,045	38,840,623
Liabilities, equity of unrestricted investment account holders and equity				
Liabilities				
Due to banks and financial institutions		**6,295,904**	4,986,561	5,379,055
Customers' current accounts		**6,481,509**	6,585,877	6,377,312
Sukuk financing		**2,547,128**	2,545,751	2,545,293
Other liabilities		**590,293**	814,710	479,073
Total liabilities		**15,914,834**	14,932,899	14,780,733
Equity of unrestricted investment account holders		**20,578,055**	20,078,034	18,639,746
Equity				
Share capital		**1,513,687**	1,513,687	1,513,687
Legal reserve	8	**2,452,360**	2,452,360	2,452,360
Risk reserve	9	**548,401**	548,401	474,751
Fair value reserve		**10,889**	1,877	938
Other reserves	10	**84,477**	84,477	81,628
Proposed cash dividends	11	**-**	605,476	-
Retained earnings		**989,231**	322,834	896,780
Total equity attributable to shareholders of the bank		**5,599,045**	5,529,112	5,420,144
Sukuk eligible as additional capital	12	**1,000,000**	-	-
Total equity		**6,599,045**	5,529,112	5,420,144
Total liabilities, equity of unrestricted investment account holders and equity		**43,091,934**	40,540,045	38,840,623

These unaudited interim condensed consolidated financial statements were approved by the Board of Directors on 24 October 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 1 to 16 form part of these unaudited interim condensed consolidated financial statements

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF INCOME

For the nine months ended 30 September 2016

	Three months ended		*Nine months ended*	
	30 September 2016 (Unaudited) QR'000	*30 September 2015 (Unaudited) QR'000*	***30 September 2016 (Unaudited) QR'000***	*30 September 2015 (Unaudited) QR'000*
Net income from financing activities	**319,303**	289,778	**924,392**	829,853
Net income from investing activities	**94,250**	62,777	**233,053**	199,759
Total net income from financing and investing activities	**413,553**	352,555	**1,157,445**	1,029,612
Fee and commission income	**37,722**	40,533	**118,164**	118,065
Fee and commission expense	**(10,498)**	(8,738)	**(32,172)**	(24,151)
Net fee and commission income	**27,224**	31,795	**85,992**	93,914
Net foreign exchange gains	**3,666**	5,070	**18,974**	10,333
Share of results of investments in associates	-	-	**(866)**	(3,695)
Total income	**444,443**	389,420	**1,261,545**	1,130,164
Staff costs	**(37,134)**	(38,923)	**(108,755)**	(109,368)
Depreciation and amortisation	**(4,584)**	(3,828)	**(13,464)**	(11,042)
Finance expense	**(37,909)**	(30,519)	**(107,056)**	(77,979)
Other expenses	**(27,815)**	(29,580)	**(82,332)**	(83,882)
Total expenses	**(107,442)**	(102,850)	**(311,607)**	(282,271)
Net impairment loss on investment securities	**-**	(1,545)	**-**	(2,235)
Impairment loss (provided) / recovered on financing assets	**(18,601)**	(8)	**(18,601)**	4,576
Foreign exchange loss on translation of investment in associate	**-**	(52)	**-**	(853)
Net profit for the period before return to unrestricted investment account holders	**318,400**	284,965	**931,337**	849,381
Share of unrestricted investment account holders of profit	**(95,096)**	(66,567)	**(264,940)**	(192,862)
Net profit for the period	**223,304**	218,398	**666,397**	656,519
Earnings per share				
Basic and diluted earnings per share (QR per share)	**1.48**	1.44	**4.40**	4.34

Qatar International Islamic Bank (Q.S.C)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016

	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 equity attributable to equity shareholders of the Bank QR'000*	*Sukuk eligible as additional capital QR'000*	*Total QR'000*
Balance at 1 January 2016 (*Audited*)		1,513,687	2,452,360	548,401	1,877	84,477	605,476	322,834	5,529,112	-	5,529,112
Fair value reserve movement		-	-	-	9,012	-	-	-	9,012	-	9,012
Net profit for the period		-	-	-	-	-	-	666,397	666,397	-	666,397
Total recognised income and expense for the period		-	-	-	9,012	-	-	666,397	675,409	-	675,409
Cash dividends paid to shareholders	11	-	-	-	-	-	(605,476)	-	(605,476)	-	(605,476)
Sukuk eligible as additional capital	12	-	-	-	-	-	-	-	-	1,000,000	1,000,000
Balance at 30 September 2016 (*Unaudited*)		**1,513,687**	**2,452,360**	**548,401**	**10,889**	**84,477**	**-**	**989,231**	**5,599,045**	**1,000,000**	**6,599,045**

The attached notes 1 to 16 form part of these unaudited interim condensed consolidated financial statements

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the nine months ended 30 September 2016

	Note	*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 (*Audited*)		1,513,687	2,452,360	474,751	-	84,882	605,476	237,007	5,368,163
Fair value reserve movement		-	-	-	938	-	-	-	938
Net profit for the period		-	-	-	-	-	-	656,519	656,519
Total recognised income and expense for the period		-	-	-	938	-	-	656,519	657,457
Cash dividends paid to shareholders	11	-	-	-	-	-	(605,476)	-	(605,476)
Transfer to retained earnings		-	-	-	-	(3,254)	-	3,254	-
Balance at 30 September 2015 (*Unaudited*)		1,513,687	2,452,360	474,751	938	81,628	-	896,780	5,420,144

The attached notes 1 to 16 form part of these unaudited interim condensed consolidated financial statements

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended 30 September 2016

	Notes	*Nine months ended*	
		30 September 2016 (Unaudited) QR'000	*30 September 2015 (Unaudited) QR'000*
Cash flows from operating activities			
Net profit for the period		**666,397**	656,519
Net changes in operating assets and liabilities		**(2,327,850)**	(475,767)
Net cash flows (used in) from operating activities		**(1,661,453)**	180,752
Cash flows from investing activities			
Purchase of investment securities		**(1,631,822)**	(4,571,612)
Proceed from sale of investment securities		**1,530,937**	3,174,055
Purchase of fixed assets		**(4,550)**	(162,505)
Proceed from sale of fixed assets		-	190
Purchase of intangible assets		**(5,532)**	-
Dividends received from associate companies		-	3,254
Dividends income received		**1,832**	2,580
Net cash flows used in investing activities		**(109,135)**	(1,554,038)
Cash flows from financing activities			
Change in equity of unrestricted investment account holders		**485,063**	(1,783,938)
Dividends paid to shareholders	11	**(605,476)**	(605,476)
Proceeds from issuance of sukuk eligible as additional capital	12	**1,000,000**	-
Net cash flows from (used in) financing activities		**879,587**	(2,389,414)
Net decrease in cash and cash equivalents		**(891,001)**	(3,762,700)
Cash and cash equivalents at 1 January		**2,987,164**	5,537,532
Cash and cash equivalents at 30 September	13	**2,096,163**	1,774,832

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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 on 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 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 Bank and regulations of Qatar Central Bank (QCB).

The unaudited interim condensed consolidated financial statements of the Group for the period ended 30 September 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 24 October 2016.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements of the Bank and its subsidiary (together referred to as the "Group") for the nine months ended 30 September 2016 have been prepared in accordance with the guidance given by the International Accounting Standard 34 - "Interim Financial Reporting". The unaudited interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015. In addition, results for the nine month period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

The preparation of the unaudited interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

The Group's financial risk management objectives are consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2015.

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015, except for the new standards and amendments listed below, which were prepared in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (the "AAOIFI"), the Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, related regulations of Qatar Central Bank and applicable provisions of the Qatar Commercial Company's Law No. 11 of 2015. In line with the requirements of AAOIFI, for matters which are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards (the "IFRSs") as issued by the International Accounting Standards Board ("IASB").

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards and amendments and interpretations effective from 1 January 2016
AAOIFI has issued a new accounting standard on investment accounts - Financial Accounting Standard No. 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI's previous accounting standards relating to investment accounts - FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and their Equivalent.

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

The new standard is effective for annual reporting periods beginning on or after 1 January 2016 and has no impact on the Group's unaudited interim condensed consolidated financial statements.

New standards and amendments and interpretations issued but not yet effective
There are no new accounting standards, amendments and interpretations that are issued but not yet effective.

Basis of consolidation
The unaudited interim condensed consolidated financial statements include the financial statements of the Bank and its following special purpose entity after elimination of intercompany balances and transactions:

			Effective percentage of ownership	
	Country of incorporation	*Principal business activity*	***30 September 2016***	*31 December 2015*
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.

3 SEGMENT INFORMATION

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 monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate	Includes financings, deposits and other transactions and balances with corporate customers, government and semi government institutions and SME customers.
Retail	Includes financings, deposits and other transactions and balances with retail customers.
Treasury & Investments	Undertakes the Group's funding and centralised risk management activities through borrowings, issues 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.

3 SEGMENT INFORMATION (CONTINUED)

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.

Nine months ended 30 September 2016 (Unaudited)	***Corporate QR'000***	***Retail QR'000***	***Treasury & Investments QR'000***	***Total QR'000***
External revenue:				
Total net income from financing and investing activities	**611,278**	**313,114**	**233,053**	**1,157,445**
Net fee and commission income	**44,464**	**41,528**	**-**	**85,992**
Net foreign exchange gains	**-**	**-**	**18,974**	**18,974**
Share of results of investments in associates	**-**	**-**	**(866)**	**(866)**
Total segment income	**655,742**	**354,642**	**251,161**	**1,261,545**
Other material non-cash items:				
Net impairment loss on investment securities	-	-	-	-
Net impairment loss on financing assets	**(18,601)**	-	-	**(18,601)**
Foreign exchange loss on translation of investment in associate	-	-	-	-
Reportable segment net profit before allocation of expenses	**637,141**	**354,642**	**251,161**	**1,242,944**

Nine months ended 30 September 2015 (Unaudited)	*Corporate QR'000*	*Retail QR'000*	*Treasury & Investments QR'000*	*Total QR'000*
External revenue:				
Total net income from financing and investing activities	544,886	284,967	199,759	1,029,612
Net fee and commission income	54,965	38,949	-	93,914
Net foreign exchange gains	-	-	10,333	10,333
Share of results of investments in associates	-	-	(3,695)	(3,695)
Total segment income	599,851	323,916	206,397	1,130,164
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(2,235)	(2,235)
Impairment loss recovered / (provided) on financing assets	5,199	(623)	-	4,576
Foreign exchange loss on translation of investment in associate	-	-	(853)	(853)
Reportable segment net profit before allocation of expenses	605,050	323,293	203,309	1,131,652

3 SEGMENT INFORMATION (CONTINUED)

30 September 2016 (Unaudited)	***Corporate QR'000***	***Retail QR'000***	***Treasury & Investments QR'000***	***Total QR'000***
Reportable segment assets	**20,237,809**	**6,606,168**	**13,308,126**	**40,152,103**
Reportable segment liabilities and equity of unrestricted investment account holders	**7,855,716**	**19,203,847**	**8,843,033**	**35,902,596**

31 December 2015 (Audited)	*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

The table below provide reconciliation of reportable segment revenues, profit, assets, liabilities and equity of unrestricted investment account holders:

	Nine months ended	
	30 September 2016 (Unaudited) QR'000	*30 September 2015 (Unaudited) QR'000*
Profit		
Total net profit for reportable segments before allocation of expenses	**1,242,944**	1,131,652
Staff costs, depreciation and amortisation, finance expense, other expenses and share of unrestricted investment account holders	**(576,547)**	(475,133)
Consolidated net profit for the period	**666,397**	656,519

	30 September 2016 (Unaudited) QR'000	*31 December 2015 (Audited) QR'000*
Assets		
Total assets for reportable segments	**40,152,103**	37,698,000
Other unallocated amounts	**2,950,431**	2,842,045
Consolidated total assets	**43,102,534**	40,540,045
Liabilities and equity of unrestricted investment account holders		
Total liabilities and equity of unrestricted investment account holders for reportable segments	**35,902,596**	34,196,223
Other unallocated amounts	**590,293**	814,710
Consolidated total liabilities and equity of unrestricted investment account holders	**36,492,889**	35,010,933

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through income statement QR'000	*Fair value through equity QR'000*	*Amortised cost QR'000*	*Total carrying amount QR'000*	*Fair value QR'000*
30 September 2016 (Unaudited)					
Cash and balances with Qatar Central Bank	**-**	**-**	**1,865,579**	**1,865,579**	**1,865,579**
Due from banks	**-**	**-**	**5,142,768**	**5,142,768**	**5,142,768**
Financing assets	**-**	**-**	**26,843,977**	**26,843,977**	**26,843,977**
Investment securities:					
- Measured at fair value	**1,218**	**171,344**	**-**	**172,562**	**172,562**
- Measured at amortised cost	**-**	**-**	**7,016,537**	**7,016,537**	**7,004,898**
Other assets	**-**	**-**	**501,787**	**501,787**	**501,787**
	1,218	**171,344**	**41,370,648**	**41,543,210**	**41,531,571**
Due to banks and financial institutions	**-**	**-**	**6,295,904**	**6,295,904**	**6,295,904**
Customers' current accounts	**-**	**-**	**6,481,509**	**6,481,509**	**6,481,509**
Sukuk financing	**-**	**-**	**2,547,128**	**2,547,128**	**2,547,128**
Other liabilities	**-**	**-**	**590,293**	**590,293**	**590,293**
	-	**-**	**15,914,834**	**15,914,834**	**15,914,834**

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2015 (Audited)	*Fair value through income statement 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	-	-	6,862,331	6,862,331	6,826,655
Other assets	-	-	444,877	444,877	444,877
	46,508	134,584	38,816,576	38,997,668	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

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value through income statement QR'000	*Fair value through equity QR'000*	*Amortised cost QR'000*	*Total carrying amount QR'000*	*Fair value QR'000*
30 September 2015 (Unaudited)					
Cash and balances with Qatar Central Bank	-	-	1,730,340	1,730,340	1,730,340
Due from banks	-	-	3,620,660	3,620,660	3,620,660
Financing assets	-	-	24,360,707	24,360,707	24,360,707
Investment securities:					
- Measured at fair value	42,283	144,424	-	186,707	186,707
- Measured at amortised cost	-	-	6,829,067	6,829,067	6,619,098
Other assets	-	-	519,706	519,706	519,706
	42,283	144,424	37,060,480	37,247,187	37,037,218
Due to banks and financial institutions	-	-	5,379,055	5,379,055	5,379,055
Customers' current accounts	-	-	6,377,312	6,377,312	6,377,312
Sukuk financing	-	-	2,545,293	2,545,293	2,545,293
Other liabilities	-	-	479,073	479,073	479,073
	-	-	14,780,733	14,780,733	14,780,733

Valuation of financial investments
The Group measures fair value using the following fair value hierarchy that reflects the significant the impacts used in making the measurement valuation technique:

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

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

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

4 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

30 September 2016 (Unaudited)	*Total*	*Fair value measurement using*		
		Quoted prices in active markets (Level 1)	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***
- Quoted equity-type investments classified at fair value through income statement	**1,218**	**1,218**	**-**	**-**
- Quoted equity-type investments classified at fair value through equity	**65,344**	**65,344**	**-**	**-**
- Unquoted equity-type investments classified at fair value through equity	**106,000**	**-**	**-**	**106,000**

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

5 IMPAIRMENT

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 assets 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, or economic conditions that correlate with defaults. 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 at 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 at fair value through equity, the cumulative loss previously recognised in the unaudited interim consolidated statement of changes in equity is removed from equity and recognised in the unaudited interim consolidated statement of income. Impairment losses recognised in the unaudited interim consolidated statement of income on equity-type investments are subsequently reversed through equity. The Group has provided nil (30 September 2015: QR 2.2 million) as impairment on investment securities which were recognised under “Net impairment loss on investment securities” in the unaudited interim consolidated statement of income.

5 IMPAIRMENT (CONTINUED)

Financial assets carried at amortised cost (including investment in Sukuk 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 unaudited interim 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 unaudited interim 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. The Group has provided QR 18.6 million (30 September 2015: recovered QR 4.6 million) as impairment on financing assets which was recognised under "Impairment loss (provided) / recovered on financing assets" in the unaudited interim consolidated statement of income.

Investment in associates
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 unaudited interim consolidated statement of income. The Group has provided nil (30 September 2015: QR 0.9 million) as foreign exchange loss on investment in associate which was recognised under "Foreign exchange loss on translation of investment in associate" in the unaudited interim consolidated statement of income.

6 FINANCING ASSETS

	30 September 2016 (Unaudited) QR'000	*31 December 2015 (Audited) QR'000*	*30 September 2015 (Unaudited) QR'000*
Total financing assets	**28,706,665**	26,811,447	26,012,718
Less: Deferred profit	**(1,575,280)**	(1,560,976)	(1,486,571)
Specific impairment of financing assets	**(266,724)**	(249,404)	(144,122)
Suspended profit	**(31,284)**	(22,994)	(21,318)
Net financing assets	**26,833,377**	24,978,073	24,360,707

Note:
The total non-performing financing assets including past dues but not impaired amounted to QR 637 million, representing 2.22% of the gross financing assets as at 30 September 2016 (31 December 2015: amounted to QR 456 million, representing 1.70% of the gross financing assets).

7 INVESTMENT SECURITIES

	30 September 2016 (Unaudited)			*31 December 2015 (Audited)*			*30 September 2015 (Unaudited)*		
	Quoted QR'000	***Unquoted QR'000***	***Total QR'000***	*Quoted QR'000*	*Unquoted QR'000*	*Total QR'000*	*Quoted QR'000*	*Unquoted QR'000*	*Total QR'000*
Investments classified at fair value through income statement									
Equity-type investments	**1,218**	**-**	**1,218**	46,508	-	46,508	42,283	-	42,283
	1,218	**-**	**1,218**	46,508	-	46,508	42,283	-	42,283
Debt-type investments classified at amortised cost									
- State of Qatar Sukuk	**1,946,203**	**3,890,000**	**5,836,203**	1,941,402	3,849,423	5,790,825	1,943,623	3,600,000	5,543,623
- Fixed rate	**1,161,415**	**18,919**	**1,180,334**	1,050,710	18,918	1,069,628	1,264,021	18,919	1,282,940
- Floating rate	**-**	**-**	**-**	-	1,878	1,878	-	2,504	2,504
	3,107,618	**3,908,919**	**7,016,537**	2,992,112	3,870,219	6,862,331	3,207,644	3,621,423	6,829,067
Equity-type investments classified at fair value through equity	**65,344**	**106,000**	**171,344**	27,473	107,111	134,584	25,218	119,206	144,424
	3,174,180	**4,014,919**	**7,189,099**	3,066,093	3,977,330	7,043,423	3,275,145	3,740,629	7,015,774

8 LEGAL RESERVE

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit 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 as the legal reserve equal more than 100% of the paid up share capital.

9 RISK RESERVE

In accordance with QCB regulations, the minimum requirement for risk is 2.5% of the 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. No transfer to risk reserve has been made during the period as the required amount will be transferred at year end (the year ended 31 December 2015: QR 74 million was transferred to risk reserve).

10 OTHER RESERVES

Other reserves represent the undistributed share of associates profits after deducting the cash dividends received. The dividends received from associates during the period amounted to nil (30 September 2015: QR 3.3 million).

11 CASH DIVIDENDS

On 29 March 2016, the shareholders of the Bank approved in the general assembly meeting 40% cash dividends for the year ended 31 December 2015 (QR 4 per share), (30 September 2015: 40% cash dividends for the year ended 31 December 2014 (QR 4 per share).

12 SUKUK ELIGIBLE AS ADDITIONAL CAPITAL

During the year 2016, the Group issued perpetual sukuk eligible as additional capital for an amount of QR 1billion. The sukuk is unsecured and the profit distribution are discretionary, non-cumulative, and payable annually, the profit rate for the first five year is fixed and it will be revised in case of renewal. The Group has right not to pay profit and the sukuk holders have no right to claim profit on the sukuk. The sukuk do not have a maturity date and have has been classified as equity.

13 CASH AND CASH EQUIVALENTS

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

	30 September 2016 (Unaudited) QR'000	*30 September 2015 (Unaudited) QR'000*
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	**486,615**	412,316
Due from banks	**1,609,548**	1,362,516
	2,096,163	1,774,832

14 CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2016 (Unaudited) QR'000	*31 December 2015 (Audited) QR'000*	*30 September 2015 (Unaudited) QR'000*
Contingent liabilities			
Unused financing facilities	**3,883,467**	5,313,398	3,956,158
Guarantees	**3,526,800**	3,410,784	3,424,155
Letters of credit	**285,291**	626,337	477,250
Acceptances	**-**	35,703	52,454
Others	**7,700**	7,215	9,105
	7,703,258	9,393,437	7,919,122

15 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the significant shareholders and entities over which the Group and the shareholders' exercise significant influence, directors and executive management of the Group.

The amount outstanding/transactions during the period / year with members of the Board or the companies in which they have significant interests were as follows:

	30 September 2016 (Unaudited)			*31 December 2015 (Audited)*			*30 September 2015 (Unaudited)*		
	Associate companies QR'000	***Board of Directors QR'000***	***Others QR'000***	*Associate companies QR'000*	*Board of Directors QR'000*	*Others QR'000*	*Associate companies QR'000*	*Board of Directors QR'000*	*Others QR'000*
Assets:									
Financing assets	**21,407**	**676,509**	**3,069,244**	18,316	700,376	2,796,260	10,532	688,832	2,834,753
Equity of unrestricted investment account holders	**13,455**	**174,175**	**284,920**	31,125	109,858	336,332	23,170	194,277	199,022
Off balance sheet items:									
Contingent liabilities, guarantees and other commitments	**33,104**	**2,426**	**79,205**	4,668	200	81,134	4,668	737	37,432

15 RELATED PARTY TRANSACTIONS (CONTINUED)

	Nine months ended 30 September 2016 (Unaudited)			*Nine months ended 30 September 2015 (Unaudited)*		
	Associate companies QR'000	***Board of Directors QR'000***	***Others QR'000***	*Associate companies QR'000*	*Board of Directors QR'000*	*Others QR'000*
Consolidated statement of income items:						
Net income from financing activities	**883**	**27,906**	**126,606**	434	28,414	116,934
Share of equity of unrestricted investment account holders in profit	**151**	**1,959**	**3,205**	261	2,186	2,239

Key management personnel compensation for the period comprised:

	Nine months ended	
	30 September 2016 (Unaudited) QR'000	*30 September 2015 (Unaudited) QR'000*
Short term benefits	**9,640**	10,013
Long term benefits	**598**	592
	10,238	10,605

16 COMPARATIVE INFORMATION

Certain comparative figures have been reclassified in order to conform to the presentation of the current period and improve the quality of the information presented. However, such reclassifications do not affect the previously reported profit or equity.