



البنك الإسلامي  
القطري

2015

ANNUAL

REPORT





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



# TABLE OF CONTENT

<b>QIB Vision, Mission, Values</b>	<b>6-7</b>
<b>Board of Directors</b>	<b>8</b>
<b>Senior Management</b>	<b>9</b>
<b>Shari'a Supervisory Board</b>	<b>9</b>
<b>Board of Directors' Report</b>	<b>10-11</b>
<b>Group Chief Executive Officer's Report</b>	<b>12-14</b>
<b>Business Review</b>	<b>15-23</b>
<b>Rating &amp; Awards</b>	<b>25</b>
<b>QIB Group Overview</b>	<b>26-27</b>
<b>Corporate Social Responsibility</b>	<b>28-29</b>
<b>Corporate Governance Report</b>	<b>30-43</b>
<b>Shari'a Supervisory Board Report</b>	<b>44</b>
<b>QIB Financial Highlights</b>	<b>44-45</b>
<b>Financial Statements</b>	<b>46-115</b>



# VISION MISSION VALUES

## Vision

A leading, innovative and global Islamic bank adhering to the highest Shari'a and ethical principles; meeting international banking standards; partnering with the development of the global economy and participating in the advancement of the society.

## Mission

- To provide innovative Shari'a-compliant financial solutions and quality services to our customers.
- To maximise returns for our shareholders and partners.
- To nurture an internal environment of qualified professionals and cutting-edge technology.

## Values

- Integrity
- Transparency
- Justice
- Co-operation and Teamwork
- Loyalty and Commitment
- Excellence

# BOARD OF DIRECTORS



(Sitting from left to right)

**Mr. Mohamed Bin Issa Al Mohanadi**  
Board Member

**Sheikh Jassim Bin Hamad Bin Jassim  
Bin Jaber Al Thani**  
Chairman

**Mr. Issa R. Al Rabia Al Kuwari**  
Board Member

**Mr. Nasser Rashid S. Al-Kaabi**  
Board Member

(Standing from left to right)

**Mr. Abdul Rahman Abdulla Abdul Ghani**  
Board Member

**Sheikh Ali Bin Ghanim Bin Ali Al Thani**  
Board Member

**Mr. Abdulla Bin Saeed Aleidah**  
Board Member

**Mr. Abdullatif Bin Abdulla Al Mahmoud**  
Vice Chairman

**Mr. Mansour Al Muslah**  
Board Member

# SENIOR MANAGEMENT



**Mr. Bassel Gamal**  
Group Chief Executive Officer



**Mr. Tarek Youssef Fawzi**  
General Manager  
Wholesale Banking Group



**Mr. Dorai Anand**  
General Manager  
Personal Banking Group



**Mr. Giles Cunningham**  
Chief International Officer



**Mr. Constantinos Constantinides**  
Chief Strategy Officer



**Mr. C. Krishna Kumar**  
Chief Operating Officer  
Operations & IT Group



**Mr. Khalefa Al Mesalam**  
Head of Human Capital Group



**Mr. Rakesh Sanghvi**  
Chief Risk Officer



**Mr. Gourang Hemani**  
Chief Financial Officer

# SHARI'A SUPERVISORY BOARD

**His Eminence Sheikh Walid Bin Hadi**  
Chairman, Shari'a Supervisory Board

**Prof. Abdul Sattar Abou Ghodda**  
Member

**Dr. Mohamad Ahmaine**  
Administrative Member



# BOARD OF DIRECTORS' REPORT

Sheikh Jassim Bin  
Hamad Bin Jassim Bin  
Jaber Al Thani  
Chairman

# QIB took significant steps in improving its administrative and operational efficiency, to suit its requirements and the increase in the level of banking activities.

On behalf of the QIB Board of Directors, it is my pleasure to present to you the 2015 Annual Report and the bank's financial results.

2015 Financial year was another stellar year for QIB. The Bank did better than most of its peer banks in terms of its asset growth, financing assets, customer deposits and net profit. QIB took significant steps in improving its administrative and operational efficiency by adapting its organisational structure to suit its requirements and the increase in the level of banking activities. Internal accomplishments were headlined by the successful execution of the technological transformation project, where QIB moved to T24 core banking system in a smooth and efficient manner replacing the existing core banking system that was implemented back in 2000. This upgrade will expand its operational horizons and allow QIB to offer a range of advanced services to our individual and corporate customers; it will also enable us to develop innovative banking services and mitigate operational risks.

QIB also completed a comprehensive renovation of its major branches supported by the new system in order to provide a superior banking experience to our customers, and started the expansion to new locations in major shopping malls, Hamad International Airport, and at key locations across Doha, in addition, steps were also taken to restructure non-performing branches. All these major initiatives have led to attracting new customers from different segments, individual and corporate. QIB became a major competitor in the local market, attracting an expanded and diverse customer base. Additionally, QIB took special care of its human resources in terms of training and development to help achieve customer satisfaction by providing banking services of the highest level. As a result, the Bank's efforts were recognised by numerous international financial institutions and publications.

In terms of QIB's international presence, the business results registered by QIB's affiliates and subsidiaries have shown a qualitative transformation in terms of results and some of them have made positive results. We continue to fulfill all QCB requirements and Basel III Guidelines regarding the capital adequacy ratios, in addition to making optimum

utilisation of the opportunities in investing and financing in order to sustain our growth.

In light of the aforementioned developments, the results posted by QIB in 2015 marked the beginning of a steady rise to a prominent and significant leap in the Bank's journey. Total Assets increased by 32% compared to 2014 and now stand at QAR 127 Billion, while Customer Deposits registered a strong growth of 37% compared to 2014 and now stand at QAR 92 Billion. Total income rose to QAR 4,508 Million registering 24% growth compared to 2014. Moreover, QIB was able to maintain the ratio of non-performing financing assets to total financing assets at less than 1%, one of the lowest in the industry, and continued pursuing a conservative impairment policy with coverage ratio for non-performing financing assets reaching 113% as of December 2015 up from 102% as of December 2014.

Thanks to the overall positive results, QIB's net profit for financial year 2015 amounted to QR 1,954 Million, reflecting a growth rate of 22% compared to 2014. Based on these results, the QIB Board of Directors recommends that your honourable Assembly approves the distribution of the 2014 profits to shareholders, at 42.5% of the nominal share value (QR 4.25 per share).

In conclusion, on behalf of the Board of Directors, I would like to extend our most sincere gratitude and appreciation to His Highness the Emir, Sheikh Tamim Bin Hamad Bin Khalifa Al Thani, and His Highness the Father Emir, Sheikh Hamad Bin Khalifa Al Thani, for their continuous support and encouragement to our nation's banking sector.

Our thanks and appreciation also go out to all the officials working for government authorities concerned with the banking sector for their invaluable guidance and constant support, and to all our customers, investors, and shareholders. Thank you all for your trust and loyalty towards QIB, and to the Shari'a Supervisory Board as well as QIB Management and employees, namely the Group Chief Executive Officer Mr. Bassel Gamal, for their exemplary efforts and dedication.

May God grant us all his blessings and grant QIB further success and progress.



# GROUP CHIEF EXECUTIVE OFFICER'S REPORT

**Bassel Gamal**  
Group Chief Executive Officer

# QIB has managed to achieve positive financial results during the fiscal year of 2015 compared to 2014, registering strong earnings and returns for the shareholders, investors and customers.

The 2015 financial year represented yet another challenging year for the global economy. Commodities' prices including oil declined throughout the year, and the pace of growth in the world economy decreased due to the slowdown in both advanced and emerging economies. In Qatar, the economy continues to be driven mainly by the growth of non-hydrocarbon sector, and in its latest regional economic outlook (October 2015), the IMF projects that Qatar will be the fastest growing economy in the region growing from 4.7% in 2015 to 4.9% in 2016.

Going forward, modest and uneven recovery is expected to shape the outlook of the global economy. Key factors that will impact the outlook include the gradual tightening of monetary policy in the United States, the prices of energy and commodities as well as the easing of monetary policy by several advanced economies.

Within this challenging economic climate through the successful implementation of the Bank's business strategy, QIB has managed to achieve positive financial results during the fiscal year of 2015 compared to 2014, registering strong earnings and returns for the shareholders. Customer deposits registered a growth of 37%, while financing activities grew by 46%, total assets by 32%, and net profits by 22%.

Total shareholders' equity in the Bank increased by 7.6% to reach QR 13.4 Billion, which helped the Bank maintain a capital adequacy ratio of 14.1%. QIB was also able to maintain the ratio of non-performing financing assets to total financing assets below 1%, one of the lowest in the industry, reflecting the quality of the Bank's financing assets portfolio and its effective risk management framework. The Bank continues to pursue a conservative impairment policy

with the coverage ratio for non-performing financing assets reaching 113% – up from 102% in 2014.

Strong Balance Sheet growth in a period of fast evolving marketing conditions required the Bank to strengthen its liquidity management and capital planning functions. The Bank enhanced its capital adequacy ratios and optimised its capital structure by raising QAR 2 Billion in Basel III compliant Additional Tier 1 Perpetual Sukuk. 2015 also marked the Bank's return to the international debt capital markets through issuance of USD 750 million 5-year Sukuk that was well received by the markets reflecting continued strong support and confidence of international, regional and local investors in the fundamentals of Qatar's economy and the Bank's underlying credit quality."

In December 2015, QIB has launched its first series of Certificates of Deposit. First of its kind in Qatar, QIB's Certificates of Deposit are available for individuals and corporate customers in Qatari Riyal and US Dollar for different tenors of 2,3 and 5 years.

In positioning itself as a customer centric, efficient bank, QIB's strategic focus is on increasing local market share and deepening client relationships with all customers. In so doing, the Bank has gained market share across key businesses and continued to optimise international banking operations for efficiency and profitability, while strengthening its cross-border banking activities.

In the Private Sector, QIB has been building expertise in specific industry sectors, better understanding its clients' needs and providing a natural fit of Islamic finance with SMEs, while supporting the country's 2030 Vision.

This strategy, focused on the Bank's clients, a diversified business model and commitment to long-term strategic priorities, has been fundamental to its growth and success, and is expected to continue creating value in the future. QIB also increased market share to become a leading Personal Bank in Qatar by investing in Branches and Direct Channels to serve all client segments, while providing differentiated offerings to Affluent and HNWI clients. The Bank ensures its stability through diversification, serving clients through a number of business lines; and it is confident it has the right mix to grow its client relationships, benefit from growth opportunities and support consistent performance over the long term.

QIB's Corporate Banking Group achieved a growth of 51.9% in the financing portfolio compared to 2014, following the execution of a new strategy designed to expand local and regional banking relationships. It also achieved considerable success and growth in the Small & Medium Enterprises (SME) sector, growing by 24.2% and scored well over the local and regional average customer satisfaction scores of AMEs in a recent independent survey performed by Ipsos consultancy.

The Bank's Treasury continued to provide comprehensive banking solutions to institutional and corporate clients as well as generating liquidity to support growth and adherence to all prudential ratios throughout the year. In the dealing room, QIB has adopted the 360T platform in order to offer a more rounded and efficient service to its clients.

Personal Banking successfully continued focusing on its strategy of strengthening distribution capability, enhancing segmented value propositions, developing new products to diversify revenue streams, enhancing electronic banking functionalities and most importantly, focusing on providing exceptional service to customers.

The Bank further enhanced its High Net Worth "Private" and Affluent "Tamayuz" Banking propositions by adding new bespoke products & services and through experienced Relationship Managers offering investment and Takaful solutions to cover different client needs.

In 2015, the Bank continued its strategy of improving its International Group performance following a successful restructuring in 2014, resulting to all International subsidiaries and branches now operating profitably. Looking forward, the Bank will continue to examine potential acquisition targets looking cautiously for profitable expansion opportunities, as well as further strengthening its current international operations.

The ability to manage risk well is a core competency at QIB, and is supported by strong risk conduct and an effective risk management approach. The bank manages risks by seeking to ensure that business activities and transactions provide an appropriate balance of return for the risks assumed through adherence to the Enterprise Risk Appetite Framework. During the year, the credit underwriting was proactively made more stringent to maintain the portfolio's high quality.

Being identified as a Domestically Systemic Important Bank (DSIB) by the Qatar Central Bank (QCB), the Risk Group along with the Finance Group were engaged in the drafting, approval and submission of a Recovery Plan for the bank to the Qatar Central Bank. The Recovery Plan sets out a resilient and comprehensive crisis management framework, which demonstrates that the Bank is able to identify a crisis in a timely manner, and has the right governance in place to guarantee adequate and timely decision making.

In 2015, the Operations & Information Technology Group continued to build on the foundation laid in the previous year both from a business as well as developmental perspective with the aim of achieving better agility, performance and efficiency. Changes have been brought in from a Technology, Process, and People perspective. The Group was involved in the Bank's transformation programme, focusing on enhancing the overall customer experience, centralisation of non-customer facing activities, introduction of process Automation & Lean improvements.

iCAN, the most complex technology transformation program the Bank has ever undertaken, is progressing well and on track for closure in early 2016. Extensive testing of existing as well as customised functionality from a system perspective has been completed and the final stage for completion is in progress. The success of this initiative is expected to position the Bank to deliver leading edge Technology that would cater to the ambitious plans of the Business functions and to deliver a significantly improved customer experience.

As part of the QIB Human Capital Group's vision to support the Bank's strategic objectives, an organisation-wide service excellence training program took place with more than 500 QIB employees trained and coached to offer consistent service standards to all QIB customers. Also, more than 800 employees were trained on the new core banking system, as part of the key strategic QIB transformation program (iCan), prior to its launch early in 2016.

A series of initiatives to support Qatarization across the Bank have been implemented, including a fast track career development program in the domain of Bank Operations as well as extensive training courses for Qatari Nationals in all fields of banking.

QIB has been recognised by several international financial publications and reports as one of the leading regional Banks in 2015, whereby the Bank has received 16 prestigious awards and top rankings reflecting the results and business achievements during the last 12 months.

QIB managed to successfully implement its strategy thanks to a comprehensive effort involving all stakeholders and employees who have contributed to the growth of our business and are working tirelessly to achieve our long-term objectives. I extend to them my warmest thanks and appreciation and wishes for success God Willing.







المال

# Business Review

# QIB has been focusing on its strategic objectives to be a customer centric, efficient bank, providing Shari'a-compliant solutions to meet Qatar's increasing demand for Islamic finance.

2015 has been a year of continued growth for QIB, reflecting strong performance across the year and all Bank's divisions. QIB's Net Profit reached QR 1.95 Billion, representing a growth of 22% compared to 2014, while total assets of the Bank now stand at QR 127 Billion, having increased 32% compared with the previous year.

QIB has been focusing on its strategic objectives to be a customer centric, efficient bank, providing Shari'a-compliant solutions to meet Qatar's increasing demand for Islamic finance.

Financing activities, which remain the key growth driver, reached QR 87 Billion, showing 46% growth, and customer deposits moved up to QR 92 Billion, registering a strong growth of 37%. Meanwhile, total shareholders' equity in QIB reached QR 13.4 Billion, an increase of 7.6% compared to 2014. The total Capital Adequacy of the Bank under Basel III guidelines stands at 14.1%, against the minimum of 12.5% prescribed by Qatar Central Bank.

In 2015, QR 2 Billion in Basel III compliant Additional Tier 1 Perpetual Sukuk has been raised to enhance the Bank's capital adequacy ratios and support future business growth. Also, QIB priced a highly successful USD 750 Million 5-year RegS only Sukuk offering. The Sukuk was issued at par with a profit rate of 2.754%, representing a spread of 135bps over 5-year mid-swaps.

QIB's **Corporate Banking** witnessed strong performance in 2015 following the execution of a sound new strategy designed to expand local and regional banking relationships. This led to solid growth in the financing portfolio by 51.7% compared with the previous year, and a substantial increase in client deposits by 42.4% during the same period. The key drivers here included a growth in the Oil and Gas, Government Related Entities (GRE) and Telecom, Media and Technology businesses which collectively saw assets and liabilities increase by 40.2% and 63.9% respectively. The growth in the corporate banking group balance sheet has taken the group profitability into a new paradigm reflecting an unprecedented bottom line growth of 41% versus the year before, while maintaining a strong focus on the quality of the portfolio and a very low level of non-performing financing compared to peers. This was coupled by

a strong improvement to the client coverage model and the expansion of QIB's regional financing activities.

The Contracting division continued its growth during 2015 with a focus on major infrastructure projects conforming to the State of Qatar's 2030 National Vision. Major projects financed during the year covered road and infrastructure projects with Ashghal and Manateq, Water and Power with Kahramaa, strategic projects with Qatar Foundation, Q-Rail, Dolphin Energy, New Ports and other major private entities. QIB continued to attract medium to large sized local contractors, as well as various international conglomerates active in the local market. The contracting division is also actively involved in several regional landmark projects considered of strategic importance particularly in the UAE, Saudi Arabia and Kuwait.

The Commercial division also delivered strong performance, which saw assets and liabilities increase by 36.7% and 12.9% respectively for the year ending 2015. This was underpinned by significant strides towards becoming a more customer-centric and industry focused team, particularly in the Logistics, Automotive, FMCG and Hospitality sectors. The team was also successful in building ties with regional companies active in these industries.

The Financial Institutions division witnessed a growth of over 71.5% in its financing portfolio driven by a greater level of involvement in several new Bilateral and Syndicated financing transactions to regional and international banks. In addition, modifications to the business allowed for non-bank financial institutions to be included as part of the coverage model. This drove profitability of the division up by 93.8% as compared with the previous year. Separately, the team have successfully expanded the correspondent banking network to more than 500 banks worldwide and have spearheaded the development of sophisticated trade finance solutions during this period. QIB has one of the best systems in class as reflected by the Standard Chartered and Commerzbank "STP Award" for excellence which was received several times over. The awards recognise QIB's achievement of almost 100% straight-through processing (STP) on payments between banks, which includes money transfers and account settlements between correspondent banks around the world.

High Net-worth Individuals, Real Estate and General Coverage also recorded growth in financing assets by 104.6% and an increase in liabilities by 30.8% in 2015. QIB achieved considerable success in the Small & Medium Enterprises (SME) business in 2015 and scored the best on the overall satisfaction across all the banks with a rating of 8.5 out of 10 - well over the local and regional average in a recent Ipsos survey. This was based on the high level of service and comprehensive financing solutions offered to its clients which led to an increase in its assets and liabilities by 24.2% and 54.5% respectively. QIB's SME Division increased its market share by signing agreements and partnerships with Manateq Authority to finance the construction of warehouses and partnership agreements with the heavy equipment agencies in Qatar to facilitate Capital Expenditures for SMEs. It also formalised dedicated parameters for this sector to facilitate and speed up the finance process.

Transaction Banking registered significant achievements this year in terms of new products launched and deals closed. Having introduced and structured a number of innovative Cash Management solutions unique to the Qatar market, there was a significant number of corporate operating accounts captured and an increased willingness from clients to mandate QIB as their core Cash Management bank. This was made possible thanks to the newly launched Cash Management product suite. Transaction Banking also successfully spearheaded the implementation of Central Bank initiatives namely the TERMS Direct Debit and the Wage Protection System (WPS) which made QIB one of the first banks in Qatar to smoothly implement the service for their corporate clientele.

QIB **Treasury**, with its head office in Doha, provides comprehensive banking solutions to institutional and corporate clients. The offered product suite include deposit taking, bespoke investment solutions, hedging solutions, foreign exchange, commodity facilitation, liquidity management and capital market products.

The Treasury is made up of financial markets, capital markets, local equities and treasury sales. Treasury is part of the Corporate Banking Group and works closely with the corporate Relationship managers, local & foreign subsidiaries branches and private banking to deliver its services to all QIB clients. QIB Treasury follows an integrated business model, in which all Shari'a compliant treasury products and services are offered by the treasury sales team with support from the interbank desk and structuring team. The team also provides Sukuk prices to institutional, corporate and private banking clients, both in the primary and secondary markets.

2015 was a successful year, in garnering cross border deposits in QR and USD, thus managing to diversify both the sources of funds and tenors. As a result, Treasury supported the bank's growth and ensured strict adherence to all potential ratios throughout the year. In the dealing room, the 360T platform was introduced in order to offer a rounded and efficient service to our clients. As a result of treasury team initiatives and coordination with the Asset Liability Management Committee, the Bank achieved a prominent market position in deposit retention and mobilisation.

Key challenges in 2015 were managing economic volatility, liquidity, and limiting the impact across all areas of business. The Treasury Group produced an excellent set of results, underpinned by proactive, disciplined risk management. All business segments within the Group, including foreign entities, contributed towards this growth, reflecting a consistent and stable earnings platform throughout 2015.

Moving into 2016, Treasury Group continues to build on the platform from previous years. Client-centricity remains a driving force within the business; we shall be offering settlement activities in RMB (Chinese currency), and clear the settlements through Doha Clearing Centre for RMB, and we are committed to understanding our clients' needs and delivering appropriately, through the provision of full spectrum solutions and excellence in execution.

Given QIB's diversified earnings platform and the quality of our product development and experienced sales team, the business is well positioned for continued growth in 2016, focusing on client solutions and cross-selling. New products and services to be launched this year include, among others, Par Forwards, Time Option Forward Shari'a compliant Cross Currency swaps. The Bank became a primary dealer in International Islamic Liquidity Management Sukuk (IILM).

In December 2015, QIB has launched its first series of Certificates of Deposit, Series I First of its kind in Qatar, QIB's Certificates of Deposit available for individuals and corporate customers in Qatari Riyal and US Dollar for different tenors of 2,3 and 5 years. Certificates of Deposit are developed to encourage customers to make long term saving and get attractive annual profit based on the certificate's maturity and selected currency. Certificates of Deposit are fully Shari'a compliant and profits incurred will be distributed to customers every quarter. The Certificate of Deposit holder is also able to apply for financing up to 95% of the Certificate of Deposit amount, with financing tenor equivalent to the certificate maturity. The minimum subscription in the Certificate of Deposit is QR 100,000 or US \$25,000, with no maximum amount. The Certificates of Deposit are cashable at any QIB counter to its holder exclusively and they are none tradable and none transferrable.

2015 was another remarkable year for QIB **Personal Banking** which continued to deliver significant growth, which was achieved through a combination of strong leadership, best-in-class products, prudent approach in terms of credit and superior value proposition to a clearly defined segment of customers.

These factors led net income to grow by 35.5% over 2014. On portfolio, financing to customers increased by 23.4% and customer deposits showed an increase of 7% compared with the previous year. Our growth outpaced the market significantly leading to incremental gain in market share.

During the year, QIB Personal Banking received several international awards, including the “Best Islamic Retail Bank, Qatar” from 2nd Qatar Enterprise Agility Awards, “Best Islamic Retail Bank Qatar 2015” by Global Banking & Finance Review, “Best Mobile Banking App” by International Finance Magazine (IFM), “Best contact centre” Award in Qatar - for the second year, by Ethos Integrated Solutions and more.

Excellence in Retail banking has been achieved through implementation of a successful customer centric approach, uniquely designed and spread throughout QIB’s branch Network, supported by a wide range of electronic channels and superior suite of products and services. The Bank further enhanced its High Net Worth “Private” and “Tamayuz” Banking propositions by adding new bespoke products & services, experienced Relationship Managers, and new investment and Takaful products.

In 2015, the Bank introduced a new customer-focused Branch design, with the renovation of four of QIB’s flagship branches - Fanar, Salwa, Rayyan and Al Khor. All renovated branches have separate Retail, Ladies and Tamayuz sections to better service the distinct needs of each segment. The colours and nature are interwoven to provide a welcoming, friendly and approachable customer experience reflecting traditional Islamic values of purity, simplicity and transparency.

Apart from the renovation of existing branches, 2 new branches were opened at The Pearl and “The Gate” Mall, which are in line with QIB’s focus to open branches at the current and new shopping areas in Qatar.

QIB Visa ‘Signature’ Co-branded credit card, in collaboration with Qatar Airways, was another well received product offered to the affluent customers who deserved luxury and peace of mind. Signature co-brand cards provided a range of exclusive privileges and free Lifestyle offers with modern day convenience.



With an aspect of improving the proposition for Affluent and Private banking customers, QIB introduced a range of innovative investment opportunities such as “Hemaya 8” and “Hemaya Energy” capital protected structured products and a ‘Certificate of Deposit’ program, which offered attractive returns on investments. The Bank also introduced new Takaful products, which not only covered customer’s specific requirements, but are available to be purchased online, 24 x7 from the comfort of their home or office.

QIB was also successful in implementing and supporting nation-wide requirement relating to the on the “Wages Protection System”, which mandated salary transfers through bank accounts for all people residing and working in Qatar.

As part of its continuing effort to reward its loyal customers, QIB offered special cash back promotions for customers who spent using their QIB debit or credit cards. Similarly, special finance offers were provided during festive or travel occasions.

2015 was a successful year for QIB **International** as it reaped the benefits of the previous year’s realignment and restructuring. It continued to be profitable across all operations even amid a very challenging economic and political backdrop. The strategic alignment with QIB’s head Office in Doha was further strengthened, and the focus has been to continue to de-risk and maintain strong compliance and governance in the international operations. Regional and International markets present significant opportunities for growth and diversification which we have continued to explore for the right opportunity given our international expansion plans.

During 2015, the **Finance** Group further enhanced its financial control and reporting framework across the entire group. In addition to elevating its existing policies and processes at the bank, finance group actively worked with its subsidiaries and associates to effectively monitor and manage its financial performance and across multiple areas of budgeting, forecasting and financial control.

The bank’s technology banking transformation program has been a key area of focus across the bank and finance group has been leading the design, testing, data migration, data management and implementation. Finance group, being the fulcrum of all financial accounting and reporting activity have ensured that all data checks and balances have been covered across multiple reporting streams, be it for regulatory or internal management reporting streams.

The Asset Liability Management has been in focus throughout the year as liquidity across the region has tended to taper down. Finance group through its asset liability management function has been able to channelise its expertise in ensuring that the bank has access to liquidity at relatively cheaper cost. The Finance group led the issuance of its dollar denominated sukuk programme bank at extremely competitive rates, given the tight liquidity situation in the market.

The Balance Sheet management and monitoring process and the finance group’s continued proactive support to the Asset Liability Committee has helped in the timely management of various financial risks.

The Bank’s financial statements and performance clearly reflect the pre-emptive and effective financial control, compliance of various AAOIFFI, IFRS, QCB guidelines, and prudence in income recognition, cost control and impairment provisioning.

Finance Group led the capital planning activities including evaluation of the capital requirements to support business growth, establishing the optimal capital structure to maximise the shareholder value. During the year, the bank concluded the successful issuance of the Additional Tier I capital which helped bolster its group’s capital adequacy ratio.

During the first half of 2015, the bank successfully implemented key Basel III initiatives introduced by Qatar Central bank (QCB). In addition to the monitoring of the liquidity coverage ratio and the net stable funds ratio, the bank developed its Recovery plan as required by QCB as part of its guidance on Internal Capital Adequacy Assessment Process (ICAAP). Finance Group continues to enhance its robust framework for Internal Capital Adequacy Assessment Process that now enables proper evaluation and alignment of the Bank’s business plans, capital plan, its associated risks and the assessment of its required capital levels.

In 2015, Standard & Poor’s reaffirmed Qatar Islamic Bank’s long-term counterparty credit rating of ‘A-’ with a stable outlook. Fitch upgraded the long term rating in 2015 to ‘A+’ with a stable outlook. The Finance Group continues to enhance its role to add new tools and measures to monitor the bank’s financial health, as part of the continuous evolving process. Finance plays a key role in partnering the business to help enhance organisational efficiency, controls, analytics and processes with a view to create a sustainable and balanced enterprise.

As part of QIB’s **Human Capital** Group vision to support the Bank’s strategic objectives, organisation-wide training programs have been running throughout 2015.

As part of an organisation-wide initiative, more than 500 QIB employees were trained and coached to offer consistent service standards to all QIB customers. This resulted in improved customer experiences across all business segments and channels. As part of the key strategic QIB transformation initiative iCan , more than 800 employees were trained on the new core banking system prior to its launch, early in 2016. More than 4,500 days of learning seat time through more than 200 classes were delivered in 120 calendar working days with a strong focus on hands-on practice based learning.

With a view to provide a structured support to the development needs of Qatari nationals, a competency assessment was completed for all senior Qatari employees. This assessment is part of a competency framework that will be further implemented in 2016 and has helped in identifying individual development needs and in structuring an organisation-wide Qatari national’s development curriculum. In addition, a fast track career development program for Qatari Talent Development in the domain of Banking Operations has been introduced.

Building a reward for performance culture, a workshop was conducted for all supervisory roles, where more than 120 employees were trained on how to perform an effective, fair and developmental performance review for all QIB' employees.

The ability to manage **risk** well is a core competency at QIB, and is supported by strong risk conduct and an effective risk management approach. QIB defines risk as the potential for loss or an undesirable outcome with respect to volatility of actual earnings in relation to expected earnings, capital adequacy or liquidity. The Risk Management organisation design and governance processes at Group level assure independence from the businesses it supports.

QIB manages risks by seeking to ensure that business activities and transactions provide an appropriate balance of return for the risks assumed through adherence to the Enterprise Risk Appetite Framework.

An important component of the enterprise risk management approach is to ensure that top risks which are evolving or emerging risks are appropriately identified, managed, and incorporated into existing enterprise risk management assessment, measurement, monitoring and escalation processes.

These practices ensure management is forward-looking in its assessment of risks to the organisation. Risk oversees activities which can lead to identification of new, evolving or emerging risks, include control mechanisms (e.g. approval of new products, transactions, projects or initiatives) stress testing, portfolio level measurement, monitoring and reporting activities, and the on-going assessment of industry and regulatory developments.

QIB's enterprise-wide stress tests evaluate the key balance sheet, income statement, leverage, and capital impacts arising from risk exposures and changes in earnings. The results are used by the Board and the bank's management risk committees to understand our performance drivers under stress, and review stressed capital and leverage ratios against regulatory thresholds and internal targets. The results are also incorporated into the Internal Capital Adequacy Assessment Process (ICAAP) and Capital Plan analyses.

Being identified as a Domestically Systemic Important Bank (DSIB) by the Qatar Central Bank (QCB), the Risk Group along with the Finance were engaged in the drafting, approval and submission of a Recovery Plan for the bank to the Qatar Central Bank. The Recovery Plan sets out a resilient and comprehensive crisis management framework, which demonstrates that the Bank is able to identify a crisis in a timely manner, and has the right governance in place to guarantee adequate and timely decision making. In addition, the plan describes credible recovery options that can help the Bank achieve recovery and strengthen its financial position from a liquidity and/or capital perspective.

As part of the enhanced focus on the operational risks, Information Security and Business Continuity Plan (BCP) was given high priority. A new state of art Operational Risk Management System went into production to enhance the Loss

data management (LDM) and Issues & Management Action Plan (IMAP). The relevant policies for Information Security and Business Continuity Management have been enhanced considering the new evolving challenges.

Risk Group has been supporting the other Group entities by providing technical and management support specially in the risk areas. During the year, a risk rating system was implemented at the subsidiary in Lebanon to improve the analysis and integrity of the credit evaluations.

Risk Group completed its annual review of its policies and procedures to ensure they are comprehensive and current. A comprehensive Risk Appetite Statement and Framework, complemented by the Credit & Investment Policy are in place, to serve as guide for the Bank's risk taking activities. Further streamlining of the operating procedures is on-going as part of the new core banking system implementation to improve controls and efficiencies.

In the year past, the **Technology** function has built upon the foundation laid in previously both from a business as usual as well as developmental perspective with the aim of achieving better agility, performance and efficiency. Changes have been brought in from a Technology, Process, and People perspective.

As a result of significant efforts expended during the year, we have completed the upgrade/replacement of major components of the IT infrastructure with a view to mitigate the risks associated with obsolete and out-of-support technologies.

A successful and smooth refresh of foundation components in the IT infrastructure in the Data Center, as well as the Disaster Recovery Site, which would include but not be limited to HSMs, Websense Internet Security, F5 Load Balancer, SAN Switches, Distribution Switches, Enterprise Backup, End User PCs, DB Servers, Application Servers, Matica Card Printer/Embossing Machine have been completed. These initiatives will serve QIB well in terms of bringing about new capabilities to the Bank's IT infrastructure in terms of agility, resiliency, scalability and supportability.

QIB continued its pursuit of leveraging Business Technology to gain market differentiation, presenting a complete varied initiatives such as the implementation of IP Telephony, Anti-Skimming on ATMs, a second SMS gateway with Vodafone for high availability/improved performance, redundant Internet Links for high availability, a mailer system to automate the cards packaging process, PayGate for automating the SWIFT message search, archival and reporting, Customer Complaints Management System (CCMS), revamping of QIB website and intranet, Operational Risk Management System (ORMS) – phase 1 & Group-wide Video Conferencing.

As part of the enablement of the Business Continuity plans, a manual failover to the Disaster Recovery site was successfully simulated. This was supplemented with the implementation of a Disaster Recovery Management System to automate the failover procedures thus reducing the time needed to resume operations from the Disaster Recovery site as well as reducing

the replication latency. The Business Continuity Management site was enhanced in terms of seats/systems support as well. The regulatory requirements as mandated have been met in a timely fashion with the Bank often leading the way in the market which would include QCB's mandates for Magstripe Cards Deactivation, Wages Payment System (WPS), FATCA Reports, QPAY/OTP for Credit Cards and Qatar Interbank Payments System (QIPS). The periodical updates from SWIFT, VISA and MasterCard as well as the new industry standard for improved security known as Dynamic Data Authentication (DDA), have been implemented successfully for instant issuance of Visa Electron cards at the branches and centrally at Card Operations.

The initiatives undertaken in Operations, Internal Control & Business Support during 2015 were focussed around enhancing the Customer experience, Service delivery, Business Process Management, leveraging further Managed Services operating model in specific areas, and benchmarking against best in class market practices.

The iCAN program – Temenos Core Banking system conversion – that is in progress has overseen the design of over 500

processes and the definition of standard operating procedures covering the same. The Operations function defined turnaround times (TATS) for the top 10 processes in each unit which in turn will help frame Service Level Agreements (SLAs) based on the service standards that can be achieved when the system goes live. Data cleansing that was completed will support QIB build customer relationship management platforms and deliver innovative services in turn.

As part of our continued endeavour to seek value in services from providers, we succeeded in establishing a Contracts Management function. Complete reviews of contracts as well as conditions have in turn helped us extract value for the spend that we have and move up the value chain wherever possible.

An outsourced service mode for cheque book printing has made an impact with the introduction of security features on cheque leaves which proved to be a first in the local market. This would not only discourage fraud, but has also helped assure our customers the focus that we have in ensuring safety and security from their perspective.





# Rating & Awards

## QIB Rating

Over the past 33 years, QIB has succeeded in establishing a recognisable local, regional and international presence that has ensured it is a frontrunner in the regional and international Islamic banking industry.

### **Fitch Rating - April 2015:**

The international ratings agency Fitch upgraded QIB Long Term IDR to 'A+' from the previously held 'A' with a stable outlook. QIB's Sukuk Funding Ltd also had its senior unsecured trust certificates' Long-Term Rating upgraded to 'A+' from 'A'; while both its trust certificate issuance programme and senior unsecured trust certificates' Long-Term Rating were upgraded to 'A+' from 'A'.

### **Capital Intelligence (CI) - April 2015:**

Capital Intelligence (CI) reaffirmed QIB with a Financial Strength Rating (FSR) of 'A'. CI also stated that the Outlook on the FSR had been changed to 'Stable' in view of the significant improvement in financing asset quality and stabilised Return on Average Assets (ROAA). The Bank's Long and Short-Term Foreign Currency Ratings (FCR) were also re-affirmed by CI at 'A' and 'A2', respectively, with a 'Stable' outlook in view of the Bank's intrinsic financial profile. CI said QIB's FSR was supported by the Bank's low leverage and good capital adequacy ratios, as well as by improved liquidity – which have benefited from more efficient use of capital and sustained growth in customer deposits.

### **Standard & Poor's - July 2015:**

In a move that reflects Qatar Islamic Bank's sound financial position and business strategy, Standard & Poor's assigned its 'A-' long-term and 'A-2' short-term counterparty credit ratings to QIB with a stable outlook rating for the long-term. S&P, which rates QIB for the first time, hailed the bank's business position, its leading position in the fast-growing Qatari Islamic banking segment and its business model and management.

## Awards 2015

- Bank of The Year - Qatar 2015, by The Banker magazine
- Islamic Bank of the Year 2015 in the Middle East, by The Banker magazine – international
- Islamic Bank of the Year 2015 in Qatar, by The Banker magazine – international
- TOP CEO Award, from "Trends" business magazine and the "INSEAD" Business School
- Best Islamic Bank in Qatar 2015, by International Finance Magazine (IFM)
- Most Innovative SME Product – Aamaly in Qatar 2015, by International Finance Magazine (IFM)
- Best Mobile Banking App, by International Finance Magazine (IFM)
- Best contact centre Award in Qatar, for the second year, by Ethos Integrated Solutions
- Islamic Bank of the Year 2015, by Arabian Business Awards
- The Excellence Award in the Retail Banking – Qatar 2015, by the 2nd Qatar Enterprise Agility Awards
- Best straight through processing (STP) in payments by Commerzbank
- Best Islamic Project Finance Bank MENA 2015, by Global Banking & Finance Review
- Best Islamic Retail Bank Qatar 2015, by Global Banking & Finance Review
- Best Islamic Finance Provider Qatar 2015, by Global Banking & Finance Review
- Standard Chartered Bank Award for outstanding performance in Straight Through Processing (STP) and delivery of commercial and financial payments
- Best Islamic Bank in Qatar 2015 from Islamic Finance News

# QIB Group Overview

## Domestic Subsidiaries & Affiliates



### QInvest

Licensed by Qatar Financial Centre in May 2007 with a declared capital of US\$ 1 Billion, QInvest is the largest financial establishment to commence operations in Qatar Financial Centre (QFC). QIB played a key role in establishing QInvest and holds a 47.15% stake in the Company.



### Al Jazeera Finance

Founded in 1989, Al Jazeera Finance is jointly owned by QIB (30%), Awqaf (20%) and other institutions such as Qatar Insurance Company (QIC) and QNB. Al Jazeera Finance spares no effort in satisfying the needs of its customers and offers them the best Shari'a-compliant solutions.



### Aqar Real Estate

Established in year 2000 as a Shari'a-compliant joint venture. QIB holds 49% shares in the Company, Awqaf holds 34%, while the Endowment Department and the General Authority for Minors Affairs hold 17%.



### Damaan Islamic Insurance Company (Beema)

Was incorporated in September 2009 as a fully Shari'a-compliant Private Closed Qatari Shareholding Insurance Company, licensed to transact all classes of insurance (General and Family Takaful). The founders of the Company are: Qatar Islamic Bank (25%); Qatar Insurance Company (25%); Masraf Al Rayan (20%); Barwa Real Estate Company (20%) and QInvest (10%).



### Durat Al Doha Real Estate Investment and Development

Engaged in real estate investment and development. QIB owns around 40% of the company's shares.

## Global Network

QIB has established the following banks in various key markets around the world:



### QIB UK

Was established in 2008. QIB's entry into the world's most important financial centre – London – signalled its intentions to cover the world's key time zones and be an international player.



السودان  
Sudan

### QIB Sudan

Opened in July 2013, as QIB's first overseas fully owned branch. With a start-up capital of US\$ 50m, it provides Shari'a-compliant corporate finance and trade finance solutions to major corporates.

بيت التمويل العربي  
ARAB FINANCE HOUSE



### Arab Finance House (AFH) in Lebanon

Established in 2004. AFH was the first fully-fledged Islamic bank (commercial and investment) in Lebanon. The restructuring of 2012 refocused the bank on four strategic locations in the country.



ASIAN FINANCE BANK

### Asian Finance Bank (AFB) in Malaysia

Established in Malaysia in 2007, and is considered to be QIB's gateway to the lucrative Asian market. It specialises in investments and corporate financing in Malaysia and in neighbouring countries which have investment links with GCC countries.



## Corporate Social Responsibility (CSR)

Building effective social communication with all the sectors of society to get a sense of the activities that need support and achieve community partnership

At QIB, we view Corporate Social Responsibility as a management concept whereby social and environmental concerns are integrated in business operations and interactions with stakeholders.

With that being said, QIB's vision of Corporate Social Responsibility rests on achieving a number of principles and objectives:

- Building effective social communication with all the sectors of society to get a sense of the activities that need support and achieve community partnership
- Cooperating positively to a range of activities within society by sponsoring core activities in various fields including education, health, sports, environment and specialised programs related to people with special needs
- Contributing to charitable activities and supporting its work, especially those being done inside Qatar
- Playing an active role in the society through QIB's Zakat Committee

#### **QIB's Major Ancillary Activities:**

In 2015, QIB achieved a number of notable milestones in its Corporate Social Responsibility (CSR) program, this includes:

- Providing over QAR 7 Million in funding towards student scholarships. While helping those in need: debtors, medical patients and others from QIB's Zakat Committee Fund.
- Donated QAR 500,000 in support of traffic awareness programs and efforts undertaken by the Ministry of Interior's Traffic Department.
- Sponsoring the International Conference on Access to Financing for Small and Medium Enterprises (SMEs) and Entrepreneurs in the Arab World. The conference is organised by Qatar University.
- Sponsoring the second International Security Conference for the Financial Sector, organised by QCB, November 2015.

- QIB participated as main partner of the 10th International Conference on Islamic Economics and Finance that was held in Doha in March 2015.

- Received fifty male and female students from Qatar University's College of Business and Economics (CBE) to provide them with summer training on banking activities.

- Sponsoring the Excelling students honouring ceremony organised by the Public Authority for Minors' Affairs.

- Organising a blood donation campaign to enhance the stock of the Blood Center at Hamad Medical Corporation.

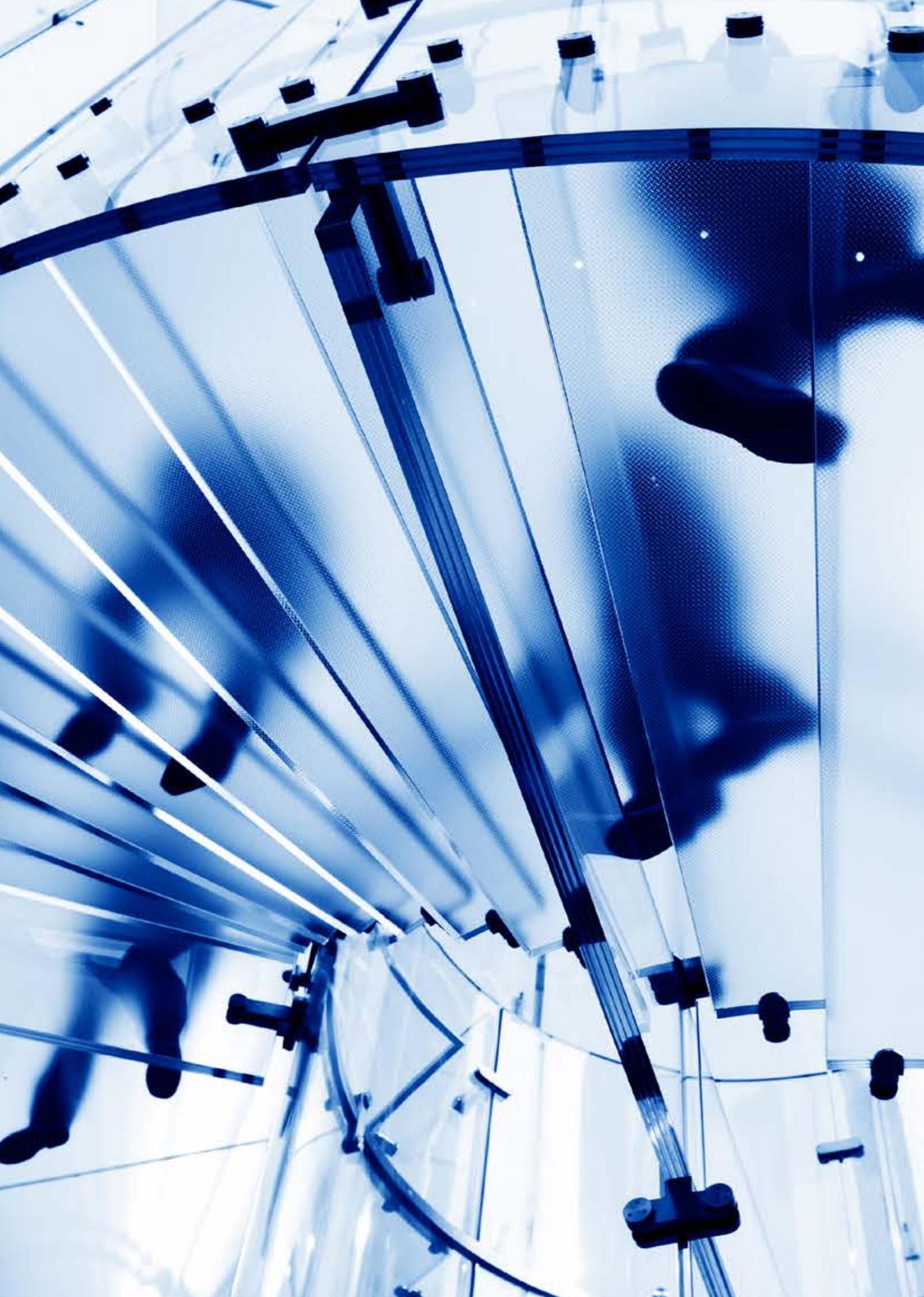
- Sponsoring the celebrations of the Qatar National Day, and the National Sports Day.

- Supporting Iftar campaigns organised by the Zakat Fund during the Holy Month of Ramadan.

- Receiving a group of school students and helping them understand what Islamic banking is.

- For the 12th consecutive year, QIB sponsored the Ramadan supplement printed daily during the Holy Month by Al Sharq newspaper in Qatar.

- QIB participated at Qatar University's "Career Day", a career and networking event, which provided students with the chance to explore job opportunities within QIB. QIB was also a participant in the Hamad Medical Corporation Professional day.





# Corporate Governance

## Introduction

Corporate Governance is a critical issue and an integral part of Qatar Islamic Bank ('QIB')s business activities. 'QIB' is committed to the sound practices of Corporate Governance which set the basic principles of rights and responsibilities for every Shareholder, the Board and, the Executive Management in order to ensure efficient control and management are duly exercised by the bank in support of Shareholders' added value.

In fact, QIB's commitment to apply the right Corporate Governance rules is due to its belief that these rules constitute an integral part of its culture in managing its daily strategic activities. Further, in addition to consolidating its own culture in terms of companies and establishments, Corporate Governance practices aim at improving the bank's internal and external controls.

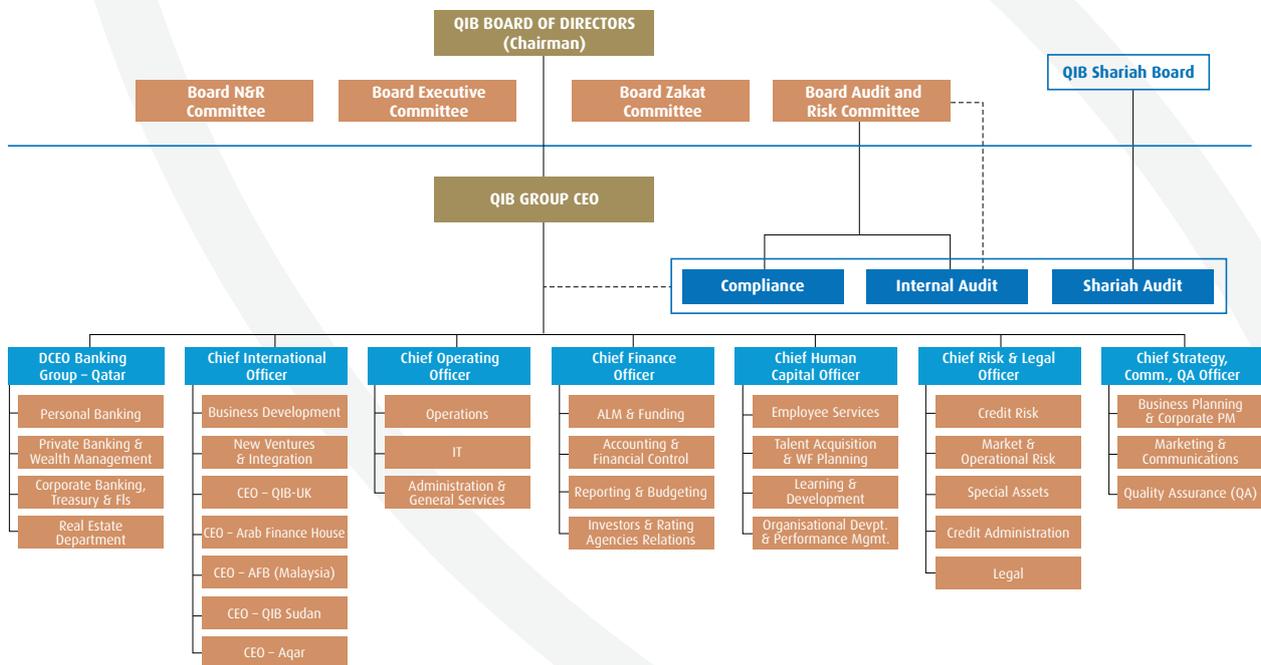
Effectively, 'QIB' has adopted a formal framework for Corporate Governance that covers all the aspects of Governance in Qatar Islamic Bank. Approval and implementation of an integral set of Policies and Procedures have been included in that

framework in addition to the comprehensive Organisational Change that comprises a restructuring of the business's Organisation Chart, along with Job Descriptions for all the jobs, detailing competencies, responsibilities related to internal & external reporting requisites for the purposes of Audit, and Audit Risk & Compliance. It defines as well the B.O.D. responsibilities, its Work Chart and, the competencies of all its Committees in addition to the Executive Committees.

The Corporate Governance framework clearly defines also the General Principles, Policies, Controls of dealing with concerned parties, Conflict of Interests, Dealings with various parties, in addition to codes of Conduct and Ethics, Standards of Professional Behaviour for Board Members.

In this respect, the Bank, in fulfilment of its responsibilities towards Shareholders, has managed to get its BOD approval on the following Corporate Governance criteria. The present report on the bank's Corporate Governance for 2011 reflects that 'QIB' has been always diligent to apply the best relevant practices that ensure the Bank's effective control and management.

## Business Organisation Structure



In application of Clause (30) of Corporate Governance Rules issued by Qatar Financial Markets Authority (QFMA), this report has been prepared based on the Bank's commitment to the sound Governance rules which lay the basis for the rights and responsibilities of Shareholders, BOD and, Executive Management to enable them to exercise efficient control and management in a way that enhances Shareholders' value as follows:

- Adoption of a general form for Governance report to be shared by Compliance Dept., Audit & Policies Committee, Risk Group, Media & Marketing Dept. under full coordination with the top Management.
- Governance procedures in the Bank have been regularly evaluated and necessary remedial actions taken to ensure full compliance with same.
- BOD Committees and the Executive Committees in charge of improving Governance practices.
- Observance of Ethics, Conduct and professional behaviour criteria.

The context of this report emphasises also the bank's commitment to the sub-clauses of said Clause, along with clarifications as necessary or in case of violations, in addition to mentions to the BOD, Board members, Committees, and Internal Control departments procedures.

## BOD and Board Members' Role

In application of Clause (5) of Corporate Governance Rules Issued by QFMA, The Board oversees the conduct of the Bank's business. It is primarily responsible for ensuring the effective dominance of Governance over the Bank's key affairs, including appointment of the Executive Management, approval of the Business strategies, evaluation of performance and assessment of the major risks facing the Bank.

For realising its duties, the Board has to exercise governance to the best interests of the Bank and may rely on the Bank's Executive Management to apply the approved business strategies, resolve the day-to-day operational issues, maintain and promote high ethical standards.

To this end, the Board holds at least six meetings annually to review and approve the Annual balance sheet, business plans, and all Capital Expenses. The Board reviews as well the achievements performed against its Strategy and dynamically modifies it, as required. It is also the Board responsibility to ensure the implementation of a control framework covering Risk Management, Internal Audit, and Compliance.

### Board Structure

In application of Clause (9) of Corporate Governance Rules Issued by QFMA, the election and constitution of BOD must be according to the Bank's Articles of Association and the

Companies Act clauses. Therefore, structure of the Board is subject to following conditions:

- The Board must include Executive, non-Executive and Independent Members to ensure that a single individual or small group will not control the Board's resolution-taking process.
- At least one third of the BOD members must be Independent and the majority to be non-Executive members.
- Chairman and Managing Director's posts cannot be occupied by the same person.
- Board members must possess adequate knowledge and experience to carry out their tasks effectively to the best benefits of the Bank and should devote sufficient time and interest to such tasks as Board Members.

The Board should collectively possess the adequate professional knowledge, Commercial expertise, Banking Industry knowledge and financial awareness that enable it to carry out its responsibilities. Board members must possess sufficient experience and technical skills that enable them to assume their tasks for the best interests of the Bank.

### Electing and Appointing of Board Members

The Board reviews the appropriate skills and particulars required for Board Members from time to time and the qualifications of eventual nominees. Board members are selected among the shareholders interested to such posts upon direct election, subject to specific criteria as stated in the Bank's Articles of Association and the Companies Act, subject to fulfil the required terms and conditions and, to receive a simple majority of votes cast in the election at the shareholders meeting.

Board Member's Membership shall cease if, amongst other things, he is convicted in an offence of dishonour or breach of trust or is declared bankrupt.

Pursuant to Clause (10) of Corporate Governance Rules Issued by QFMA, non-Executive Board members duties include:

- Attending Board meetings and giving an independent opinion on the issues of Strategy, policies, performance, accountability, resources, key appointments and work criteria.
- Ensuring priority is according to the benefits of the Bank and its Shareholders in case of any conflict of interests.
- Participating in Audit Committee.
- Monitoring the Bank's performance towards the achievement of its agreed goals and targets and, reviewing its annual, semi-annual and quarterly performance reports.

## Board of Directors

As of 31st December 2015, the Board of Directors was constituted of the following members:

Name	Membership's Capacity		No. of Shares
Sheikh Jassim Bin Hamad Bin Jassim Bin Jabr Al Thani	Chairman	Executive, Non-Independent	10,860,383
Mr. Abdullatif Bin Abdulla Al Mahmoud	Vice-Chairman	Non-Executive, Non-Independent	316,000
Mr. Mohamed Bin Issa Al Mohannadi	Board Member	Non-Executive, Non-Independent	250,000
Mr. Abdul Rahman Abdulla Abdul Ghani Al Abdul Ghani	Board Member	Non-Executive, Non-Independent	250,636
Mr. Mansour Mohammed Al Musleh	Board Member	Non-Executive, Non-Independent	385,388
Mr. Issa Bin Rabia Al Kuwari	Board Member	Non-Executive, Non-Independent	1,346,705
Mr. Abdulla Bin Saeed Al Eidah	Board Member	Non-Executive, Non-Independent	1,346,705
Mr. Nasser Rashid S. Al-Kaabi	Board Member	Non-Executive, Non-Independent	250,000
Sheikh Ali Bin Ghanem Bin Ali Al Thani	Board Member	Non-Executive, Non-Independent	250,000

### Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani Chairman

Member in 'QIB' BOD since 22/06/2004, Sheikh Jassim Bin Hamad Bin Jaber Al Thani acceded to the post of Chairman since April 2005. Graduated from Sandhurst Royal Military College in the United Kingdom. He received a series of advanced training courses in Leadership. He is also Chairman of: Q-Invest which represents the first Islamic Investment Bank in Qatar, QIB-UK (formerly: the European Finance House) and, the 'Damaan' Islamic Insurance Co.. In addition to being Board member in several establishments and financial/investment companies (e.g. Qatar Maritime Co., Credit Suisse-Zurich).

### Mr. Abdullatif Bin Abdulla Al Mahmoud Vice-Chairman

Member in 'QIB' BOD since April 1996, Mr. Abdullatif Al Mahmoud holds a B.Sc. in Economics & Business Administration from Seattle Pacific University (USA) in 1982. He progressively occupied several leading posts in Qatar General Petroleum Corp. (QGPC) since his Graduation till 2002. He was Board member of 'Al Jazeera' Financing Co., and then CEO of it till 2008. Headed an Audit Committee in QIB (2001-2005), and took part in several conferences and scientific seminars in the field of Energy. In addition to the issues relative to Islamic Banking, at present, he is the General Manager of the 'Al Sharq' Printing & Distribution Co, since 1989 to date. Further, he was Chief Editor of the 'Al Sharq' daily newspaper (2003 -2010).

### Mr. Mohamed Bin Issa Al Mohannadi Board Member

Member in 'QIB' BOD since 1996, Mr. Al Mohannadi, is the chairman of the Audit & Risks Committee and member in Nomination and Remuneration Committee. He holds a Bachelor's degree in Business Management from Cairo University on 1977 and an MBA from Seattle University (USA) on 1983.

Mr. Mohannadi held several administrative positions in the Emiri Diwan of Qatar, where he finally became Minister in charge of the Council of Ministers Affairs (2002-2005). Afterwards, Mr. Mohannadi turned to his own private business activities. At present, he is a Board member in Ooredoo.

### Mr. Abdul Rahman Abdulla Abdul Ghani Al Abdul Ghani Board Member

Member in 'QIB' BOD (since 1996), in the Executive Committee and QIB Policies Committees, Mr. Abdul Ghani holds a B.Sc. (with Honors) in Economics from Boston University, USA. He is a Board member in several national companies, such as the Qatar Industrial Manufacturing Company (QIMCO), and the United Development Company (UDC).

Mr. A. Abdul Ghani possesses a large experience in the field of business Management and a range of investments. He is currently Chairman of Abdullah Abdul Ghani Brothers Co. (Toyota), one of the prominent Car Trading companies in the region, and Chairman of Abdullah Abdul Ghani & Sons Trading and Contracting Group.

### Mr. Mansour Mohamed A. Fattah Al Musleh Board Member

Member in 'QIB' BOD since 1996 and he is a member in several Committees including the Executive Committee, and the Zakat Committee in QIB. Mr. Musleh holds a Bachelor Degree in Social Science from Qatar University. He occupied several posts in the Ministries of Interior and Defence. At present, he moved to the General Secretariat of the Council of Ministers. He also has a multitude of investment activities and businesses in the Real Estate sector, Aqar Company CEO and a Board member in other BOD's. Mr. Al Musleh is the Chairman of 'Al Andalus' Private Schools and, Chairman of the Board of trustees for Mayfair Islamic Centre, London.

**Mr. Issa R. Al Rabia Al Kuwari**  
**Board Member**

Member in 'QIB' BOD since April 2002, Mr. Issa Al Kuwari has respectable experience in the Public Affairs domain. At present he is the Deputy Chairman of the Qatari Advisory Council ('Al Shourah') where he was a deputy since 1990. He is also member of numerous formal Committees relevant to the Ministry of Interior, the Committee for Complaints and Compensations Committee at the Ministry of Municipal Affairs and Agriculture in which he served for a long time.

Further, Mr. Al Kuwari has a large economic activity in the fields of Trade, Contracting, Transport and Distribution of Petroleum products.

**Mr. Abdulla Bin Saeed Al Eidah**  
**Board Member**

Member in 'QIB' BOD since April 2005, member of the Audit & Risks Committee and in the QIB Privileges & Compensations Committee, Mr. Al Eidah received long training courses and various programs in Administration from specialized centers in UK.

At present, he is the General Manager of Brooq Trading Company. Mr. Al Eidah is also involved in various other business ventures including Investment & Real estate management and, is the Deputy Chairman of 'Al Seyleyah' Club.

**Mr. Nasser Rashid S. Al-Kaabi**  
**Board Member**

Member in 'QIB' BOD since 2008 and, in several Committees including the Executive Committee and the 'Privileges & Compensations Committee', which he presides, Mr. Al-Kaabi has a long history of successful business ventures dating back to the seventies. He is the founder and owner of Al Sraiya Group Holdings, which is now a well-known, large conglomerate. Mr. Al-Kaabi has been a member of the 'Shourah' (Advisory) Council since 1995 and a member of a host of other organisations including: the Advisory Body of the GCC Supreme Council in addition to his membership in many Boards of Directors and Specific Committees (including Aqar) relative to his activities in business and property development fields.

**Sheikh Ali Bin Ghanem Bin Ali Al Thani**

Holder of a Masters degree in Management from Cambridge University. Chairman of Ali Bin Ghanim Al Thani Group & Vice Chairman of Ghanem Holding Co.'s BOD. Board Member of three joint Stock companies: 'Al Salam Holding' joined 'QIB' BOD in Feb2014, Doha Insurance Company, Deputy Chairman of Gulf Investment Group & Former BOD Member of 'United Development' Company. Supporting member in the 'Center for Arab Unity Studies'. He has many published articles in the commercial sector.

**Board Meeting**

The Board holds its meetings at least once every two months upon an invitation from the Chairman or upon the request of two thirds of the Board Members in case of emergency.

The Chairman's invitation should include the meeting Agenda, duly approved by him.

Board Members are expected to endeavour to attend, in person, all the scheduled Board and Board Committees meetings for those where they are members. Any member is entitled to request the inclusion of any specific issue in the Agenda. A Board meeting shall be considered as valid if attended by 50% of the members, including the Chairman or his Deputy, provided at least five Members are present.

Voting in Board meetings shall be in accordance with the Bank's Articles of Association, on majority of voting cast basis. Minutes of all matters discussed and decisions taken in the meeting shall be recorded and kept by the Secretary of the Board. Companies dept. of the Ministry of Businesses & Commerce to be provided with said Minutes for approval.

In application of Clause (11) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank's Articles of Association and Memorandum of Association, under Clause 25, Chapter III of the Company's Management state that BOD shall hold its meetings at least once every two months (six times early). The meeting shall take place upon invitation from the Chairman and may be upon the request of two thirds of the Board members in case of emergency. The call to the meeting must comprise an Agenda for the meeting approved by the Chairman and any Board member has the right to include any other issue to the meeting Agenda.

**Board Secretary:**

In application of Clause (12) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, a Board Secretary is appointed by the Board. His functions include recording, coordinating and, maintaining all the minutes, records, books and reports of the Board which are submitted to or issued by it. He is charged also, under the supervision of the Chairman, to ensure the proper communication and dispatching of the information and to coordinate between the Board members, the Board and the other interested parties in the Company, including Shareholders, the Management and the staff members. To this end, the Board Secretary:

- Shall make sure that Board members can have full and swift access to all Board meetings minutes, information, documents and records of the Company.
- Ensure that all Board members make use of his services and consultancy.
- His appointment of, or dismissal, takes effect only vide a resolution by the Chairman.

- To be preferably a member in a renown professional accountants body or in a Board of Trustees of a chartered company or, an advocate or, to be bearer of a University degree from a renown university or the equivalent of such certificate and, to have at least (3) years experience in handling the affairs of a public company listed in the Stock market.
- The Board must keep its members updated with the latest developments in the area of Governance. It may delegate such task to the Audit Committee, the Governance Committee or any other party as deemed proper.
- The Company's Articles of Association comprise clear statements on the termination of the Board members in case of absence from attending its meetings.

### Other matters

In application of Clause (13) of Corporate Governance Rules issued by QFMA, commitment to the "Policy of 'Conflict of Interests & Dealings'" with sub-contractors is ensured:

- Approve and announce general rules and procedures regulating any commercial transaction proposed to enter with a concerned party (the Company's Policy in terms of Concerned Parties). In any way, it is not permitted to engage in any commercial transaction with a concerned party (or getting contracted with it) without taking full consideration of the 'Related Parties Policy' which ensures the principles of Transparency, Equity and Disclosure, subject to approval of shareholders majority, provided such concerned party not being a party in the vote.
- If any case of conflict of interests or a commercial transaction between the Bank and a Board member or any concerned party is raised in a Board meeting, the case must be discussed in absence of the concerned member who will have no right at all to take part in the vote on said transaction. In any way, the transaction must be executed at market price, on purely commercial basis and should not include any terms/conditions contradicting with the Bank's interests.
- Board members trading in the Bank's stocks, must be disclosed. The Bank must as well adopt clear policies & procedures controlling the members and staff dealings in QIB shares.

In application of Clause (14) of Corporate Governance Rules issued by QFMA, the BOD shall have the following additional duties:

- Board members must be allowed to have full and immediate access to the business-related information. The Executive Committee should provide the Board and its Committees with all requested documents and information.
- Board members must ensure the presence of the Committees of: Recruitment, Remunerations & Bonuses and, oversee the Internal Auditors, representatives of External Auditors for the General Assembly.
- The Board must adopt an awareness program for its newly appointed members to ensure that, upon being elected by voting, they enjoy adequate understanding of how the business's operations are running and what to ensure they are totally aware of their responsibilities.
- Board members are responsible for possessing a good understanding of their roles and duties; undergo a self-training task about financial, commercial and industrial operations and about the Bank's operations and businesses. To this end, the Board has to organise adequate formal awareness courses aiming to consolidate its members' skills and knowledge.

In application of Clause (15) of Corporate Governance Rules issued by QFMA, appointment of Board members - the Nomination Committee: QIB is process of the formation of the Committee.

In application of Clause (16) of Corporate Governance Rules issued by QFMA:

- Nomination and appointment of Board members must be according to strict and transparent formal procedures.
- The Board shall constitute a Nomination Committee, headed and formed by Independent members who will suggest the appointment and re-nomination of the Board members to be voted by the General Assembly. Nomination by mentioned Committee does not mean depriving any shareholder from exercising his right to record himself, or to propose someone else for appointment.
- Nominees should take into consideration, among other things, the candidates' capability to allocate sufficient time for assuming their duties as Board members, in addition to possessing the required skills, know-how, professional, technical and academic qualifications and their personalities, based on the "Adequate Guiding Norms for nominating Board Members".
- Upon its constitution, the Nomination Committee should approve and publish its framework in a way that clearly indicates its powers and roles.
- The Committee's function should include as well making an annual performance appraisal for the Board.
- The Bank should respect any terms or requirements relative to the Nominee's election or appointment of Board members issued by Qatar Central Bank or any other authority.

In application of Clause (17) of Corporate Governance Rules issued by Qatar Financial Markets Authority, the Bank has constituted a 'Nomination and Remuneration Committee' to define the policies of disbursing bonuses and link same to the Bank's long term performance. Also, the Bank's Articles of Association and Memorandum of Association state under Clause 33 that the aggregate sum that the Board member may receive under this capacity, as a lump sum salary paid to him regardless of the Company's profit or loss or meetings attendance allowance, shall not exceed QR 20,000 (Twenty thousand Qatari Riyals).

In application of Clause (18) of Corporate Governance Rules issued by QFMA, the Bank has constituted an Audit Committee to which shall be relevant the following functions:

- Internal Audit
- Compliance
- Risk

## Disclosure Principle:

In application of Clause (21, Clause-1) of Corporate Governance Rules Issued by QFMA in terms of Disclosure, the Bank is bound to all disclosure requisites, including the submission of financial reports and the disclosure of the number of stocks held by each Board member, Executive officer, or prominent shareholder. It discloses as well the necessary information on the Board members including their respective CV's with details on their educational background, profession, memberships in other BOD's and, the names of the various Board Committees' members and structures.

In application of Clause (22) of Corporate Governance Rules Issued by QFMA in terms of Shareholders General Rights and Basis Ownership Elements: shareholders enjoy all the rights granted to them by the relative Laws and Regulations, including the Governance Chart, Articles of Association and the Board's commitment to respect Shareholders rights to the extent that achieves equity and equality.

In application of Clause (23) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Title records of the Bank as a Qatari Shareholding Company are correct, accurate and regularly updated, as per its Articles of Association, to clarify the ownership of stocks. A shareholder is entitled to peruse and get access to the Company's Shareholders Record, free of charge, during official Work hours. He is also entitled to get copies of the following documents: Shareholders record, Board record, the Company's Articles/Memorandum of Association, Encumbrances documents, Concerned Parties' Contracts or any other documents as stated by Qatar Markets Authority from time to time against charges as decided by said Authority.

In application of Clause (24) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, in respect of Shareholders rights to get information in a way that preserves their rights to get clear and detailed information: the Bank's Articles/Memorandum of Association guarantees under Clause (27) – Chapter 3: Management of the Company, that the Board of Directors shall, three days at least before the meeting of the General Assembly convened to consider the Company's balance sheet and the Board' Statement, put at the disposal of Shareholders, a detailed list of all the amounts disbursed to the Chairman and Board members in addition to the physical distinctions and remunerations proposed for distribution, as well as the amounts allocated for each member (salary, reserve, compensation), the operations contradicting with the Bank's interests, publicity expenses and donations, all approved by the Bank's Auditor.

All information and disclosures are also published on the Bank's Internet site.

In application of Clause (25) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank's Articles/Memorandum of Association states, under Clause (39), Shareholders right to call for a General Assembly meeting and the Bank should respond immediately to such call. Shareholders have further the right to discuss or raise any item in General Assembly meeting's Agenda, address inquiries and get corresponding answers or apply as a group of shareholders representing 10% at least of the Capital to include a specific issue in the Agenda.

In application of Clause (26) of Corporate Governance Rules Issued by QFMA, regarding fair treatment of shareholders and the exercise of the voting right, the Bank's Articles/Memorandum of Association states, under Clause (16) – (Company's Capital) – stated that each share give the right to a quota equal other, without distinction, in the ownership of the Company's Assets and Dividends. Similarly, clause (35) – (General Assembly) – confirms every shareholder's right to attend the General Assembly meetings in person or as delegation. Minors and persons placed under custody will be represented by their delegates.

In application of Clause (27) of Corporate Governance Rules issued by Qatar Financial Markets Authority, Board members have been appointed conforming to the Bank's Articles/Memorandum of Association provisions, their qualifications & previous experiences, all being as appended on the Bank's website. It happens also that some shareholders obtain such information from Shareholders Affairs Dept. Finally, details of such information are included in the Corporate Governance Report that is distributed to Shareholders in the General Assembly meeting.

In application of Clause (28) of Corporate Governance Rules issued by QFMA Dividend Distribution Policy: said distribution takes place in line with the Bank's Articles/Memorandum of Association takes place pursuant to shareholders' absolute majority basis approving the profit shares (dividends) to be distributed during the General Assembly meeting which is held once yearly within four months of the year following the end of the Company's financial year, in presence of the External Auditor and QCB representative.

In application of Clause (29) of Corporate Governance Rules Issued by QFMA, Capital is stated in the Bank's Articles/Memorandum of Association under Clause (12)://Company's Capital//, which provides the protection of minority interests-rights, as shareholders are only committed up to each share's value and cannot increase that commitment. Clause (44)-(General Assembly), states that it is not permissible to take any resolutions on Capital increase or the Company's Contract extending its term, liquidate or sell in full only through Extraordinary General Assembly Meeting.

In application of Clause (30) of Corporate Governance Rules issued by QFMA, the Bank's Articles/Memorandum of Association under clause (27) guarantees that Interested Parties may be provided with reliable adequate and connected information regularly and in reasonable times. Furthermore, the Bank treats all employees on a pari-passu basis. It has created a Nomination and Remuneration Committee assigned to disburse incentives to the staffs and the Management to the benefit of the Bank, taking in consideration the Bank's performance on the long term. Finally, the Bank has delegated several contact channels to report any violations and has adopted Board-approved policies and procedures to safeguard and protect the staff confidentiality in case of report in any suspicious activity.

### Board Committees

To appropriately manage its duties, the Board of Directors are assisted by five specialised committees that report directly to it and perform functions on its behalf to support efficient management practices. These committees include:

#### i. Board Executive Committee

The Board Executive Committee is represented by six Board Members with the participation of CEO and senior employees of the Bank who hold the responsibility of transferring information and under discussion data between the management level and the Board of Directors. The Executive Committee serves as a tool to coordinate the business. It has, as its prime tasks and responsibilities, the provision of ongoing information to the Board on business developments, regular review of business segments, consultation with and furnishing advice to the Board on strategic decisions and preparation of grant credit decisions within its jurisdiction. The Board Executive Committee works to develop the Bank's business plan to be or presented to the Board.

#### ii. Audit, Risk & Compliance Committee

The primary objective of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities related to the Bank. This includes financial reporting, internal control system, management of material business risks, the internal and external audit functions and the process for monitoring compliance with laws and regulations and the Bank's code of business conduct. Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Audit and Risk & Compliance Committee Charter in order to facilitate decision making by the Board.

The Committee is authorised by the Board to investigate any activity. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the assistance of outsiders with relevant experience

and expertise if it considers this necessary but only after consultation with the Chairman of the Board.

The Committee has unlimited access to both the internal and external auditors and to the Senior Management of the Bank. The Committee is established by the Board to review, evaluate and make recommendations to the Board in relation to: General Risk and Accounting, Internal Control, Risk and Control Environment, Financial Reporting, Internal Audit, External Audit and Compliance.

#### iii. Policies and Procedures Committee

The primary objective of this committee is to study, prepare and develop strategies, objectives, policies, systems, plans, budgets and working procedures directories. The Committee ensures that QIB policies and practices are conducted in accordance with the established and approved business operating standards. The Committee reviews the operating efficiency of the respective functions, and measures the alignment of functional procedures with corporate objectives and business processes.

The Committee is responsible to monitor the QIB quarterly performance against strategy, business plan and budgets. This includes review and consolidation of business development, product alignment and resources distribution across QIB. The Committee also highlights deviations of policies and procedures from laid down standards to the Management for necessary corrective action from time to time and reviews compliance of the same. The Committee is also responsible to develop QIB's corporate social responsibility strategy in light of QIB's brand values.

#### iv. Remuneration Committee

The Committee is responsible to develop a remuneration policy to attract, retain and motivate staff, management of the highest calibre who have the skills needed to achieve the Bank's objectives year on year. The Committee is responsible to ensure that it balances the interests of the shareholders, the Bank and its employees. The Committee meets for remuneration functions as required, as a strict policy no person shall be present when his or her remuneration or contractual arrangements are discussed.

#### v. Zakat Committee

The Committee is responsible to promote interdependence and integration among members of the Muslim community by channeling contributions of Zakat. The Committee identifies key players in the field of humanitarian aid, general development and other channels that can be used to distribute Zakat proceeds. The Committee is responsible to develop good relationships with charitable, humanitarian aid groups and institutions that provide assistance in general development in order to evaluate recipients who would receive Zakat proceeds. They also, develop a Zakat collection and disbursement policy for the Bank for monitoring the result of the Zakat contributions and

introducing accountability. The Committee also ensures that Zakat is calculated and distributed as per Shari'a rules and standards.

### Meetings of Board of Directors and Board Committees

The Board of Directors meetings are held regularly, according to the Bank's Articles of Association and Companies Law, at least six times a year. The meetings are held upon an invitation from the chairman or based on a request of two of its members. The Board met eight (8) times during 2015 with the Chairman attending and presiding at all meetings. The number of meetings held by the Board and its Committees are detailed below:

Board and Board Committees	Meetings during 2015
Board of Directors	8
Executive Committee	1
Audit, Risk & Compliance Committee	5
Policies & Procedures Committee	-
Nomination and Remuneration Committee	1
Zakat Committee	5

## Shari'a Supervision

### Shari'a Supervisory Board

The Shari'a Supervisory Board is responsible at the first place to ensure that the Bank's operations compliance with the Islamic Shari'a principles. It acts as an independent body of specialist jurists in Fiqh-Al-Muamalat. The Board is responsible for and to ensure the following:

- Provide Islamic advice and guidance to ensure that all QIB activities comply with Shari'a law.
- Review Shari'a Auditors' Reports and report to members on QIB's operations compliance with Shari'a.
- Determine whether contracts, transactions and dealings entered into by QIB complies with Shari'a.
- Examine financial statements to determine the appropriateness of profit allocation between QIB equity holders and policyholders, in accordance with Shari'a.
- Approve all marketing material of QIB, ensuring that the products are represented fairly and clearly to customers, in accordance with Shari'a.
- Ensure that all earnings realised from sources or by means prohibited by Shari'a are disposed of to charitable causes.
- Ensure that the calculation of Zakat is in compliance with Shari'a.
- Publish Fatwas, Rulings and Guidelines with regard to QIB activities.

Shari'a Executive Committee	Position
His Eminence Sheikh Walid Bin Hadi	Head of Executive Committee
Prof. Abdul Sattar Abou Ghodda	Member
Dr. Mohamad Ahmaine	Administrative Member

## Segregation of Duties

A balance between the roles and responsibilities of the Board of Directors and Management is achieved through duty segregation. The Board of Directors provide the overall strategic direction and oversight through the review and approval of major strategic direction and oversight through the review and approval of major strategic initiatives, policies and objectives while day-to-day management of the Bank is entrusted to the Chief Executive Officer.

## Executive Management Team

Executive Management, defined as the group of persons with operational responsibility for the Bank and appointed by the Board, is responsible for the overall day-to-day management of the Bank. The Executive Management is headed by the Chief Executive Officer (CEO) and an experienced executive management team supports the CEO.

As of 31st December 2014, the Executive Management of the Bank comprised of the following persons:

Executive Management Team	Position
Mr. Bassel Gamal	Group CEO
Mr. Tarek Youssef Fawzi	GM – Wholesale Banking Group
Mr. Rakesh Sanghvi	Group Chief Risk Officer
Mr. Gourang Hemani	Chief Financial Officer
Mr. Constantinos Constantinides	Chief Strategy Officer
Mr. Khalifa Al Mesallam	Head of Human Capital Group
Mr. Dorai Anand	GM – Personal Banking Group
Mr. Giles Hullah Cunningham	Chief International Officer
Mr. Krishna Kumar	Chief Operating Officer, Operations & IT Group
Mr. Salah El-Sheikh	Head of Legal
Mr. Atef Abdul Khalek Mohamed Ali	Head of Internal Audit
Mr. Samir El-Ghandour	Head of Compliance

**Mr. Bassel Gamal**  
**Group Chief Executive Officer**

Mr. Bassel Gamal, holds the position of QIB's Group CEO since February 2013; having amassed over 22 years of experience in the banking and finance industry. His career started with Commercial International Bank (Chase National Bank) in Egypt, in 1990 for more than a decade.

In 2001, he joined Ahli United Bank Group in Bahrain during which he held many positions, last of which was Senior Deputy Group CEO – Banking Group. He was Ahli Bank's Deputy CEO in Qatar from 2004 until 2006, at which point he moved on to become the CEO until early 2009.

**Mr. Tarek Youssef Fawzi**  
**General Manager - Wholesale Banking Group**

Senior banking executive with over 32 years of international experience predominantly in Corporate Banking, Investment and Treasury domains with reputable international & regional banks. He holds Bachelor of Economics and Business Administration from The American University in Cairo. Tarek started his banking career with Arab African International Bank in Egypt and progressed his career with leading banks such as Chase International Bank, Misr America International Bank, Burgan Bank – Kuwait, National Bank of Oman in Sultanate Oman, Masherq Bank UAE. His last position prior to joining QIB was CEO and Country Head of Mashreq Bank – Egypt.

**Mr. Rakesh Sanghvi**  
**Group Chief Risk Officer**

Rakesh is a Chartered Accountant (FCA) from the Institute of Chartered Accountants of India. He carries 24 years of rich experience in Risk, Corporate Banking and Finance with leading Audit firms and banks in the region.

**Mr. Gourang Hemani**  
**Chief Financial Officer**

He holds 22 years of accounting and Finance experience with international banks and with leading audit firms. Gourang started his career with PricewaterhouseCoopers – India and progressed through Standard Chartered Bank – India followed by long standing career with Banque Saudi Fransi in Saudi Arabia for 15 years handling various roles including Asset Liability Management, Treasury Middle Office, and Financial Planning. His last assignment, prior to joining QIB was with Banque Saudi Fransi as Deputy Chief Financial Officer. He is a CFA charter holder, FRM, Chartered Accountant of India.

**Mr. Constantinos Constantinides**  
**Chief Strategy Officer**

Constantinos Constantinides (Dinos) joined QIB as Chief Strategy Officer to lead the Bank's transformation program. Prior to that Dinos held various senior roles at Al Rajhi Bank for the last eight years. Since 2007, he has been the General Manager of Strategy

responsible for business development and regional expansion. Previously he was Deputy General Manager in Retail Banking. As a management consultant with Accenture, he has led several strategic initiatives for European banks and financial institutions. He Holds an MBA in international Strategy from University of Birmingham.

**Mr. Khalifa Al Mesallam**  
**Head of Human Capital Group**

Khalefa has around 14 years of banking experience, with a blend of retail banking and human capital management expertise gained with leading international and regional banks. He started his banking career with HSBC Qatar in the Retail Banking division and progressed to various lead roles in Customer Service, Branches and Human Resource Quality Control. He also held leading positions in Retail Banking in the Commercial Bank of Qatar and his last assignment prior to joining QIB was as Group Recruitment Manager with Al Khaliji Bank. He joined QIB In 2011 as Head of Talent Acquisition & Manpower Planning – a division within the Human Capital Group – from where he progressed to his current role.

**Mr. Dorai Anand**  
**General Manager – Personal Banking Group**

Mr. Anand has over 20 years' experience in the banking industry, particularly in retail banking, consumer assets business, customer service & operations. Mr. Anand has held various senior Management roles during his tenure with world-leading conventional and Islamic banks. Most of his career has been with Citibank however for the last 8 years he has been associated with Al Rajhi Bank – Saudi Arabia. Prior to joining QIB Anand was GM – Retail Banking Group with Al Rajhi Bank.

**Mr. Giles Cunningham**  
**Chief International Officer**

He carries 22 years of international experience in Banking & Finance with leading institutions in the region & UK. He has worked with reputed organization such as Lloyds TSB General Insurance, Zubair Corporation – Oman & Lloyds in senior roles including CEO – Middle East, Managing Director – International Retail Banking & International Strategy. His last assignment, prior to joining QIB was with Lloyds Banking Group as Sr. Strategy & Advisor – Wealth & International Banking. He holds BA (Hons), ACIB & MBA from Sheffield Hallam University.

**Mr. Krishna Kumar**  
**Chief Operating Officer, Operations & IT Group**

He is a senior banking executive with over 24 years of experience across Corporate, Retail, Service Quality, Operations, IT and support functions. He started his banking career with Standard Chartered Bank – India and progressed with many leading banks such as: HSBC- India, Times Bank - India, Commercial Bank of Kuwait, National Bank of Dubai, Ahli Bank QSC and National Bank of Egypt. As part of a consulting practice he has last been engaged in an Advisory capacity with Dubai

Healthcare City. During his longstanding tenure with international & regional banks, he successfully spearheaded technology transformation projects, organisational restructuring programs, process reengineering and automation initiatives. He holds an MBA in Marketing & Finance from XLRI, Jamshedpur, India, and Bachelor of Technology (Mechanical) from College of Engineering, Trivandrum, India, in addition to Advanced Management Program from Harvard Business School, Boston, USA.

## Bank Management Committees

### 1. QIB Management Committee

The Management Committee is responsible for the review, recommendation and decision on major issues affecting the business performance and the operations of the Bank. The committee manages the ongoing business of the Bank, reviews and assesses actual performance and the implementation of the Bank's strategy, objectives and business plans. It is responsible for monitoring and reviewing the Human Capital strategy, strategic initiatives and projects, regulatory and compliance matters, risk indicators as well as customer service and operational KPIs and SLAs.

### 2. Assets and Liabilities Committee – ALCO

The ALCO's primary goal is to evaluate, monitor and approve practices relating to risk due to imbalances in the capital structure. The ALCO has responsibility for setting limits on the arbitrage of borrowing in the short-term markets, while lending long-term instruments within the risk framework approved by the Board. Among the factors considered are liquidity risk, market rates and external events that may affect the bank's forecast and strategic balance-sheet allocations. The ALCO is responsible for identifying funding requirements for each business group, study the cost of funds, profit margin & maturity gap & re-pricing reports.

### 3. CAPEX Committee

The CAPEX Committee's primary goal is to evaluate large capital expenditure requests and provide recommendations for approval by the GCEO or Executive Committee (Board of Directors), depending on the prevailing delegation of authority. The role of the Capex Committee is to evaluate the business case presented by each Group for large capital expenditures which includes review of the cost-benefit analysis and vendor selection criteria and process and to assess alternative options for all its proposals.

### 4. Credit and Investment Committee

The Credit & Investment Committee is responsible for approving credit up to a maximum predetermined One Obligor Total and non-strategic investments up to certain limit. The role of the Credit and Investment committee is to endorse changes to credit and investment policy for approval of board, approve credit and non-strategic investments. The committee monitors and reviews investments' performance and issues and approve credit

requests. Credit and Investment Committee is responsible to review and evaluate the investment policies and ensure compliance with the Credit policy.

### 5. Credit Committee

The Committee is responsible for approving credit up to a maximum predetermined Net One Obligor Total. The Credit Committee approves all credits as per the credit approving authorities.

### 6. Special Assets Committee

The committee is responsible for managing problematic finance and investments including the Bank's subsidiaries. The Committee reviews and approves recommendations made by the relevant business lines and instructs the necessary actions on restructuring of non-performing finance and investments such as re-scheduling the repayment, early settlement and dropping part of the profit, sell part or full guarantees for repayment and proposing granting of additional financings. In addition, the committee is responsible of reviewing and Recommending write-offs and provisioning to approving authorities i.e. Board and Qatar Central Bank.

### 7. Operational Risk Committee

The Operational Risk Management Committee mandate is to oversee and ensure the efficient and effective management of the Bank's Operational Risks. It has the responsibility to prepare and consolidate operational risk losses reports as well as action plans to mitigate deficiencies in controls, in addition the committee reports to the board a summarised account of Bank's risk and the risk management activities. The mandate also includes approving and reviewing the Risk Assessments (RA) and Risk and Control Self-Assessments (RCSA) deployment plan, results and action plans.

### 8. New Product Committee

The New Product Committee mandate is to oversee performance of QIB businesses through product and service development initiatives, including reviewing and approving of plans, standard tariff table of the bank, pricing, fees and cross sell targets. The mandate also includes monitoring the implementation of all projects related to the development and roll out of products and services as well as enhancements to existing products and services.

## Risk Management

Risk management is exercised at all levels of the Bank, including the Board of Directors, Board Committees, and senior management team and through various management and bank committees. A comprehensive, centralised and proactive risk approach effectively minimises exposures on all fronts and mitigates credit, market, liquidity risks, as well as operational and business continuity risks, balanced against business growth.

### Conservative Credit Policy

The Bank has always implemented and followed a conservative credit policy to ensure full understanding of potential risk through a diverse product range and client base, and a wider geographical and industrial spread. This approach, coupled with a periodic stress testing and scenario analysis and an appetite to proactively manage all risks continue to yield positive results in strengthening the solidness of QIB's Overall Credit Portfolio.

### Improved Liquidity Ratios

The Bank, on a continuous basis, applies diversified approaches to improve its liquidity ratios. The Bank continues to maintain a capital adequacy ratio well above the minimum accepted ratio set by Qatar Central Bank and the Basel Committee's banking supervision requirements.

### Enterprise-wide Risk Management System

The Bank is in the process of implementing a number of initiatives across the board which constitutes stronger and granular MIS tool, improved limit and threshold controls, better portfolio management.

### Operational Risk

To minimise potential losses from operational risks, the Bank has developed and implemented policies and procedures to methodically identify, assess, control, manage and report system vulnerabilities. Controls include effective duty segregation, access limits, effective authorisation and reconciliation procedures and ongoing staff education and assessment processes. In addition, a new sophisticated operational risk system has been deployed to manage all risk indicators, including database risk and loss events.

## Internal Audit

The Bank's internal audit function continues to adapt its audit methodology to respond effectively to the Bank's expansion and to conduct independently, planned and unplanned internal audit engagements, in order to recommend changes that enhance governance, risk management, internal controls and compliance. During the year the role of audit transformed from being outsourced to a fully functional internal audit capability of the Bank. Operationally, the audit team supports individual unit managers by routinely analysing audit reports and identifying areas of vulnerability. This process will be further enhanced in the coming year with the implementation of a self-assessment checklist that will enable staff to avoid common oversights and promote flawless processes. The process will minimise routine errors and will be expanded to develop appropriate training tools for staff in the future. The Internal Audit function also provides valuable input on internal controls, processes, and service quality and advises on how to enrich the Bank's training curriculum and development plans so that appropriate preventive focus is brought to bear on the risks faced by the Bank.

## Compliance

The Bank's Compliance Team reports directly to the Head of Audit, Risk & Compliance Committee. The Bank's governance structure ensures that it benefits extensively from expert advice and the support of compliance in order to ensure that all areas of domestic and international operations are in full compliance with relevant local and international jurisdictional and statutory requirements. These include, but are not limited to Basel Committee on Compliance Requirements, Financial Action Task Force (FATF) recommendations on Anti Money Laundering and Counter-Terrorist Financing (AML/CTF) and other international standards on corporate governance as well as QCB instructions and regulations. Over the past year the Bank's Compliance Team has an active role in reviewing the policies, codes and terms of reference of the Board to ensure full compliance with Qatar Central Bank's and QFMA's requirements. The Compliance Team responds on a continuous basis to all bank inquiries seeking clarification on applicable regulations and standards and continues to provide a wide range of advisory services, including studies, comments, suggestions, recommendations and appropriate reviews.

## External Audit

Ernst & Young was the appointed external auditors to audit the financial statements of Qatar Islamic Bank for the financial year 2014 inclusive, to report on the outcome of these audits to the Board of Directors and to provide an audit opinion on the financial statements of Qatar Islamic Bank. Furthermore, PWC also audited and reported on the effectiveness of internal control over financial reporting on 31 December 2014. The external auditors attended the meetings of the Audit Committee and the Shareholders' Meeting held in 2014.

After a maximum period of five years of performing the financial audit of Qatar Islamic Bank, the external audit firm responsible for reviewing the audits, have to be replaced by another external audit firm. The external auditors may be questioned at the Annual General Assembly Meeting about their audit opinion on the annual accounts. The external auditors will therefore attend and be entitled to address the meeting.

The external auditors may only provide audit and non-audit services to Qatar Islamic Bank with the permission of the Audit and Risk Committee. The Audit and Risk Committee generally pre-approves certain types of audit, audit-related and non-audit services to be provided by the Bank's external audit firms on an annual basis. Services that have not been generally pre-approved by the Audit and Risk Committee should not be provided by the external auditor or should be specifically pre-approved by the Audit and Risk Committee after the recommendation of the QIB management.

The Audit and Risk Committee also sets the maximum annual amount that may be spent for pre-approved services. Throughout the year the external audit firm and the Bank monitor the amounts paid versus the pre-approved amounts.

## Corporate Social Responsibility

The Bank, as a responsible corporate citizen, recognises its social responsibility to the community in which the Bank operates. The Bank is committed to promoting sustainable development, protection and conservation of human life, health, natural resources and the environment, and adding value to the communities in which we operate. In doing so, the Bank recognises the importance of both financial and non-financial commitment and contribution.

The QIB Zakat Committee, which reports to the Board of Directors, provide assistance to a wide range of beneficiaries which included various educational, cultural and health care activities; sports clubs; social causes; charity societies; scholarships; conferences; exhibitions and sporting events.

## Environmental Policy

The Bank is committed to environmental management in ensuring that no harm should come to the environment when performing its operations. In keeping with these beliefs and commitments, the Bank endeavours to ensure that all the management and employees comply with the following environmental policies.

1. Conduct business in an environmentally responsible manner.
2. Comply with all applicable environmental laws and regulations.
3. Promote the efficient use of resources and reducing (and where possible eliminating) waste through recycling and pursuing opportunities to reuse waste.
4. Notify the Board of any pertinent environmental issues and how QIB contributes towards those issues.

## Health Policy

The Bank recognises that good health and safety management has positive benefits to an organisation, and thus is committed to providing and maintaining a healthy, safe and secure working environment for all employees. The Bank is committed to:

1. Ensuring the health, safety, security of all its employees whilst at work.
2. Ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety.
3. Identifying hazards, assessing risks and managing those risks.

Pursuant to this the Bank has in place a comprehensive Fire, Health and Safety Insurance Policy and provides extensive Medical and Health Insurance through a recognised insurance provider for the benefit of all permanent staff.

## Penalties or Fines Imposed on the Bank by Regulatory Authorities

Fines aggregating to QR 490 were imposed on the Bank till 31/12/2015 by Qatar Central Bank in respect of breaches of Qatar Central Bank regulations.

## Material Issues Regarding the Bank's Employees and Stakeholders

There are no material issues regarding the Bank's employees and stakeholders to be disclosed in this report.

## Communication with Stakeholders & Investors and Shareholders

The Bank keeps Qatar Exchange, QFMA and Qatar Central Bank updated on matters and developments that may affect its share price performance.

Transparency and full disclosure are the cornerstones of the Bank's communication efforts. The Board values clear, comprehensive and timely communication with shareholders and stakeholders.

At the General Assembly Meetings, the Chairman of the Board of Directors presents the shareholders with detailed information and data on the Bank's performance and its achievements during the prior year, along with an outline of the major business plans and objectives of the current year.

The Bank's Articles of Association and by-laws include provisions that ensure the shareholders' right to call for a General Assembly and the Bank should ensure that the same is conducted in a timely manner. Also the shareholders have a right to place items on the agenda, discuss matters listed on the agenda and address questions and receive answers thereupon.

# SHARI'A

## SUPERVISORY BOARD REPORT

### FOR THE FISCAL YEAR ENDING ON 31ST DECEMBER 2015

All Praise be to Allah and may His peace and blessings be upon His messenger and bondsman our Prophet Mohammad, his family and his companions.

Upon reviewing the submitted products and transactions, and examining the financial statements and profit and loss statement for the fiscal year 2015, the QIB's Shari'a Supervisory Board has concluded that they do not violate the principles of Islamic Shari'a. In addition, and upon conducting Shari'a audit via direct supervision of the bank activities to ensure compliance with the Board's decisions, The Shari'a Supervisory Board deems said activities compliant with the Shari'a Supervisory Board rules. May Allah guide us all to what pleases Him.

#### Shari'a Supervisory Board

His Eminence Sheikh Walid Bin Hadi  
Chairman, Shari'a Supervisory Board

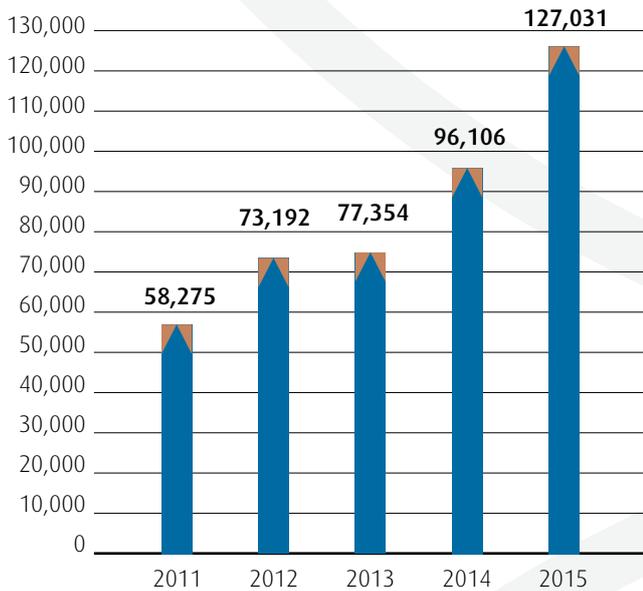
Dr. Mohamad Ahmaine  
Administrative Member

Prof. Abdul Sattar Abou Ghodda  
Member

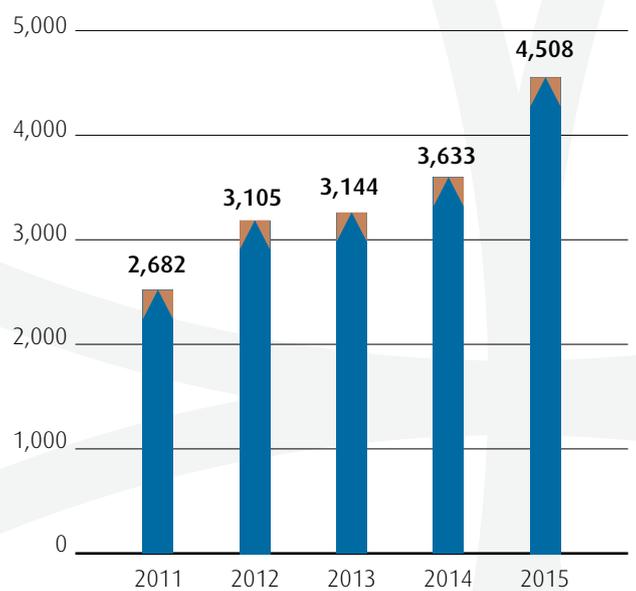
# QIB FINANCIAL HIGHLIGHTS

	2015	2014	2013	2012	2011
(2015-2011)					
Total assets	<b>127,031</b>	96,106	77,354	73,192	58,275
Deposits	<b>91,521</b>	66,605	50,363	43,147	27,853
Financing & investments	<b>108,165</b>	77,819	63,829	58,436	46,309
Operating income	<b>4,508</b>	3,633	3,144	3,105	2,682
General and administrative expenses	<b>969</b>	846	785	793	701
Provisions and depreciation	<b>406</b>	343	433	551	245
Net profit	<b>1,954</b>	1,601	1,335	1,241	1,365
Earnings per share (QR)	<b>8.27</b>	6.78	5.65	5.25	5.87
Total shareholders' equity	<b>13,376</b>	12,478	11,860	11,474	11,202
Share capital	<b>2,363</b>	2,363	2,363	2,363	2,363
Unrestricted investment accounts	<b>77,327</b>	51,480	37,893	34,065	18,654
Customers' accounts & Others	<b>14,194</b>	15,125	12,470	9,082	9,198

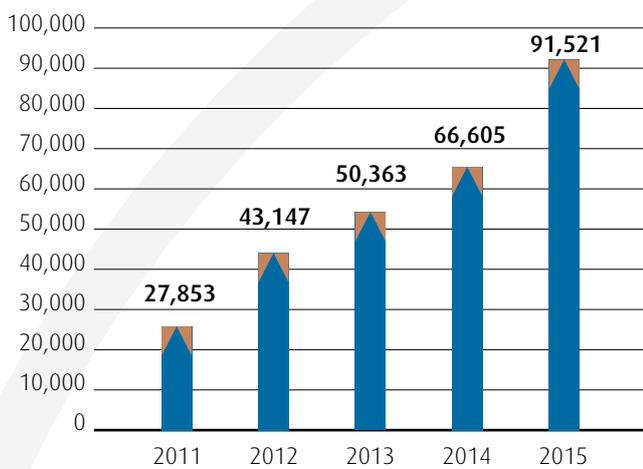
### Total Assets (Million QR)



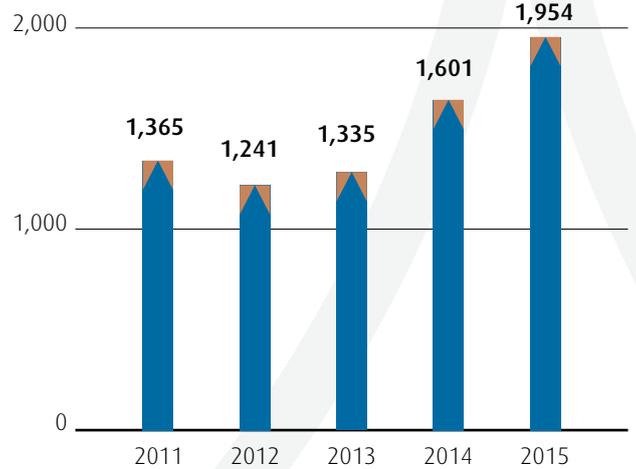
### Operating Income (Million QR)



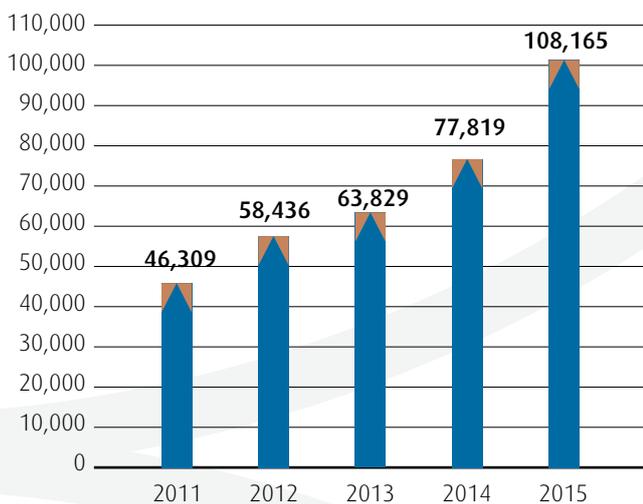
### Deposits (Million QR)



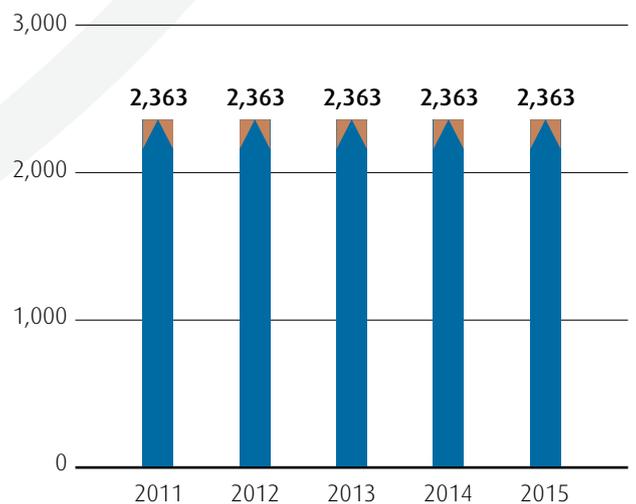
### Net Profit (Million QR)



### Financing & Investments (Million QR)



### Share Capital (Million QR)





A close-up photograph of a person's hand in a dark suit jacket, pointing their index finger towards a line graph. The graph consists of a thin white line connecting four circular data points. A large, semi-transparent white circular graphic is overlaid on the bottom right of the image, partially obscuring the hand and the graph. The background is a blurred office setting with light-colored walls.

# Financial Statements

# INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR ISLAMIC BANK (Q.S.C.)

## Report on financial statements

We have audited the accompanying consolidated financial statements of Qatar Islamic Bank (Q.S.C.) ("QIB" or the "Bank") and its subsidiaries (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 equity, consolidated statement of cash flows, consolidated statement of changes in restricted investment accounts and consolidated statement of sources and uses of charity fund 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, its cash flows, changes in equity, changes in restricted investment accounts, and source and uses of charity fund for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

### **Report on legal, regulatory and other 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 Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Group.

### **Ziad Nader**

of Ernst & Young  
Auditor’s Registration No. 258

7 February 2016  
Doha  
State of Qatar

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

QAR '000s

As at 31 December 2015

	Notes	2015	2014
<b>Assets</b>			
Cash and balances with central banks	9	5,085,840	4,933,474
Due from banks	10	9,494,044	8,931,018
Financing assets	11	87,221,910	59,681,531
Investment securities	12	18,840,086	15,954,396
Investment in associates	13	1,047,869	966,777
Investment properties	14	1,055,181	1,216,420
Assets of a subsidiary held for sale	15	4,460	61,361
Fixed assets	16	575,402	554,951
Intangible assets	17	410,610	374,995
Other assets	18	3,295,102	3,431,541
<b>Total assets</b>		<b>127,030,504</b>	<b>96,106,464</b>
<b>Liabilities, equity of unrestricted investment account holders and equity</b>			
<b>Liabilities</b>			
Due to banks	19	11,198,827	8,104,212
Customers' current accounts	20	14,193,927	15,124,873
Sukuk financing	21	5,450,820	5,450,236
Liabilities of a subsidiary held for sale	15	3,399	18,688
Other liabilities	22	1,682,180	1,756,800
<b>Total liabilities</b>		<b>32,529,153</b>	<b>30,454,809</b>
<b>Equity of unrestricted investment account holders</b>	23	<b>77,326,587</b>	<b>51,479,989</b>
<b>Equity</b>			
Share capital	24(a)	2,362,932	2,362,932
Legal reserve	24(b)	6,370,016	6,370,016
Risk reserve	24(c)	1,993,090	1,369,247
General reserve	24(d)	81,935	81,935
Fair value reserve	24(e)	134,013	93,199
Foreign currency translation reserve	24(f)	(28,964)	(29,157)
Other reserves	24(g)	216,820	216,820
Proposed cash dividends	24(h)	1,004,246	1,004,246
Share-based payment reserve	24(i)	6,216	-
Retained earnings		1,236,137	1,008,760
<b>Total equity attributable to shareholders of the Bank</b>		<b>13,376,441</b>	<b>12,477,998</b>
Sukuk eligible as additional capital	25	2,000,000	-
Non-controlling interests	26	1,798,323	1,693,668
<b>Total equity</b>		<b>17,174,764</b>	<b>14,171,666</b>
<b>Total liabilities, equity of unrestricted investment account holders and equity</b>		<b>127,030,504</b>	<b>96,106,464</b>

These consolidated financial statements were approved by the Board of Directors on 19 January 2016 and were signed on its behalf by:

**Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani**  
Chairman

**Bassel Gamal**  
Group Chief Executive Officer

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

<b>CONSOLIDATED STATEMENT OF INCOME</b>		<b>QAR '000s</b>	
<b>For the year ended 31 December 2015</b>		<b>2015</b>	<b>2014</b>
	Notes		
Net income from financing activities	27	<b>3,201,258</b>	2,444,267
Net income from investing activities	28	<b>691,261</b>	648,812
<b>Total net income from financing and investing activities</b>		<b>3,892,519</b>	3,093,079
Fee and commission income		<b>585,760</b>	479,905
Fee and commission expense		<b>(107,707)</b>	(87,926)
<b>Net fee and commission income</b>	29	<b>478,053</b>	391,979
Net foreign exchange gain	30	<b>82,401</b>	72,564
Share of results of associates	13	<b>33,291</b>	51,636
Other income		<b>22,062</b>	23,814
<b>Total income</b>		<b>4,508,326</b>	3,633,072
Staff costs	31	<b>(620,666)</b>	(535,224)
Depreciation and amortisation	16,17	<b>(75,425)</b>	(73,588)
Sukuk holders' share of profit		<b>(162,322)</b>	(173,519)
Other expenses	32	<b>(347,970)</b>	(311,070)
<b>Total expenses</b>		<b>(1,206,383)</b>	(1,093,401)
Net impairment losses on investment securities	12	<b>(222,000)</b>	(171,439)
Net impairment losses on financing assets	11	<b>(104,936)</b>	(89,913)
Other impairment losses		<b>(4,033)</b>	(8,499)
<b>Net profit for the year from continuing operation before tax and return to unrestricted investment account holders</b>		<b>2,970,974</b>	2,269,820
Return to unrestricted investment account holders before the Bank's share as Mudarib		<b>(1,970,530)</b>	(1,061,492)
Bank's share as Mudarib		<b>1,019,019</b>	497,230
<b>Net return to unrestricted investment account holders</b>	23	<b>(951,511)</b>	(564,262)
<b>Discontinued operations</b>			
Profit from a subsidiary held for sale	15	<b>21,208</b>	1,999
<b>Net profit for the year before tax</b>		<b>2,040,671</b>	1,707,557
Tax expense	33	<b>(10,331)</b>	(39,008)
<b>Net profit for the year</b>		<b>2,030,340</b>	1,668,549
<b>Net profit for the year attributable to:</b>			
Shareholders of the Bank		<b>1,954,324</b>	1,601,432
Non-controlling interests	26	<b>76,016</b>	67,117
<b>Net profit for the year</b>		<b>2,030,340</b>	1,668,549
<b>Earnings per share</b>			
Basic earnings per share (QAR per share)	36	<b>8.27</b>	6.78
Diluted earnings per share (QAR per share)	36	<b>8.25</b>	6.78

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

QAR '000s

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividends	Share-based payment reserve	Retained earnings	Total equity attributable to the shareholders of the Bank	Sukuk eligible as additional capital	Non-controlling interests	Total equity
Balance at 1 January 2015	2,362,932	6,370,016	1,369,247	81,935	93,199	(29,157)	216,820	1,004,246	-	1,008,760	12,477,998	-	1,693,668	14,171,666
Change in foreign currency translation reserve	-	-	-	-	-	193	-	-	-	-	193	-	-	193
Sukuk eligible as additional capital	-	-	-	-	-	-	-	-	-	-	-	2,000,000	-	2,000,000
Fair value reserve movement	-	-	-	-	40,814	-	-	-	-	-	40,814	-	-	40,814
Net profit for the year	-	-	-	-	-	-	-	-	-	1,954,324	1,954,324	-	76,016	2,030,340
Total recognised income and expense for the year	-	-	-	-	40,814	193	-	-	-	1,954,324	1,995,331	2,000,000	76,016	4,071,347
Cash dividends paid to shareholders (Note 24)	-	-	-	-	-	-	-	(1,004,246)	-	-	(1,004,246)	-	-	(1,004,246)
Transfer to risk reserve (Note 24)	-	-	623,843	-	-	-	-	-	-	(623,843)	-	-	-	-
Proposed cash dividends (Note 24)	-	-	-	-	-	-	-	1,004,246	-	(1,004,246)	-	-	-	-
Social and Sports Fund appropriation (Note 42)	-	-	-	-	-	-	-	-	-	(48,858)	(48,858)	-	-	(48,858)
Profit on Sukuk eligible as additional capital (Note 25)	-	-	-	-	-	-	-	-	-	(50,000)	(50,000)	-	-	(50,000)
Share based payment reserve	-	-	-	-	-	-	-	-	6,216	-	6,216	-	6,184	12,400
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	22,455	22,455
Balance at 31 December 2015	2,362,932	6,370,016	1,993,090	81,935	134,013	(28,964)	216,820	1,004,246	6,216	1,236,137	13,376,441	2,000,000	1,798,323	17,174,764

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)****For the year ended 31 December 2015****QAR '000s**

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividends	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2014	2,362,932	6,370,016	1,084,566	81,935	94,896	(49,974)	212,058	945,172	758,113	11,859,714	1,812,946	13,672,660
Change in foreign currency translation reserve	-	-	-	-	-	20,817	-	-	-	20,817	-	20,817
Fair value reserve movement	-	-	-	-	(1,697)	-	-	-	-	(1,697)	-	(1,697)
Net profit for the year	-	-	-	-	-	-	-	-	1,601,432	1,601,432	67,117	1,668,549
Total recognised income and expense for the year	-	-	-	-	(1,697)	20,817	-	-	1,601,432	1,620,552	67,117	1,687,669
Transfer to other reserves (Note 24)	-	-	-	-	-	-	4,762	-	(4,762)	-	-	-
Cash dividends paid to shareholders (Note 24)	-	-	-	-	-	-	-	(945,172)	-	(945,172)	-	(945,172)
Transfer to risk reserve (Note 24)	-	-	284,681	-	-	-	-	-	(284,681)	-	-	-
Proposed cash dividends (Note 24)	-	-	-	-	-	-	-	1,004,246	(1,004,246)	-	-	-
Social and Sports Fund appropriation (Note 42)	-	-	-	-	-	-	-	-	(40,045)	(40,045)	-	(40,045)
Loss on acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(17,051)	(17,051)	-	(17,051)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(186,395)	(186,395)
Balance at 31 December 2014	2,362,932	6,370,016	1,369,247	81,935	93,199	(29,157)	216,820	1,004,246	1,008,760	12,477,998	1,693,668	14,171,666

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS		QAR '000s	
For the year ended 31 December 2015		2015	2014
<b>Cash flows from operating activities</b>	Notes		
Profit before tax		2,040,671	1,707,557
Adjustments for:			
Net impairment losses on financing assets	11	104,936	89,913
Net impairment losses on investment securities	12	222,000	171,439
Other impairment losses		4,033	8,499
Depreciation and amortisation	16,17	75,417	73,588
Net gain on sale of investment securities		(471,448)	(447,156)
Dividend income	28	(19,154)	(10,536)
Share of results of associates	13	(33,291)	(51,636)
Losses from investment properties revaluation		5,708	24,524
Sukuk amortisation		584	6,160
Loss from investment revaluation		98,611	36,283
Gain on disposal of investment property	28	(132,322)	(121,209)
Tax expense	33	10,331	39,008
Net loss on disposal of fixed assets		23	178
Profit before changes in operating assets and liabilities		1,906,099	1,526,612
Change in reserve account with QCB		(1,083,893)	(809,939)
Change in due from banks		430,986	(1,044,505)
Change in financing assets		(27,645,315)	(12,631,978)
Change in other assets		189,310	116,768
Change in due to banks		3,094,615	1,613,509
Change in customers' current accounts		(930,947)	2,655,075
Change in other liabilities		(101,999)	86,578
Share based payment reserve		6,216	-
		(24,134,928)	(8,487,880)
Dividends received	28	19,154	10,536
<b>Net cash used in operating activities</b>		<b>(24,115,774)</b>	<b>(8,477,344)</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(7,117,144)	(6,328,050)
Proceed from sale of investment securities		4,467,068	5,413,629
Acquisition of fixed assets and intangible assets		(131,514)	(135,083)
Acquisition of associate companies	13	(59,165)	(180,878)
Acquisition of investment properties	14	(1,254)	(765,760)
Proceed from sale of investment properties		152,417	481,425
Dividends received from associate companies	13	25,500	19,600
<b>Net cash used in investing activities</b>		<b>(2,664,092)</b>	<b>(1,495,117)</b>
<b>Cash flows from financing activities</b>			
Change in equity of unrestricted investment account holders		25,846,598	13,586,780
Cash dividends paid to shareholders	24(h)	(1,004,246)	(945,172)
Sukuk financing		2,730,000	-
Settlement of Sukuk financing		(2,730,000)	-
Sukuk eligible as additional capital		2,000,000	-
<b>Net cash from financing activities</b>		<b>26,842,352</b>	<b>12,641,608</b>
<b>Net increase in cash and cash equivalents</b>		<b>62,486</b>	<b>2,669,147</b>
Cash and cash equivalents at 1 January		9,192,951	6,523,804
<b>Cash and cash equivalents at 31 December</b>	37	<b>9,255,437</b>	<b>9,192,951</b>

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS**

QAR '000s

For the year ended 31 December 2015

Investment	At 1 January 2015		Movements during the year				At 31 December 2015	
	Total value	Investment (withdrawals)	Revaluation	Gross income	Dividends paid	Admin expense	Group's fee as an agent	Total Value
Al Rayyan	148	(148)	-	-	-	-	-	-
Danat	3,476	(3,476)	-	-	-	-	-	-
Solidarity Group Holding B.S.C	1,420	-	-	-	-	-	-	1,420
Marsa Al Seef	85,175	(12,011)	-	-	-	-	-	73,164
Discretionary Portfolio Management	98,159	232,880	(9,246)	4,204	(157)	(47)	(1,962)	323,831
QSSIP Series 4 (Hemaya VIII)	-	137,053	-	3,344	-	-	(1,019)	139,378
Hemaya Energy	-	115,188	-	1,118	-	-	(2,752)	113,554
	<b>188,378</b>	<b>469,486</b>	<b>(9,246)</b>	<b>8,666</b>	<b>(157)</b>	<b>(47)</b>	<b>(5,733)</b>	<b>651,347</b>

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS (Continued)**

QAR '000s

For the year ended 31 December 2015

Investment	At 1 January 2014		Movements during the year				At 31 December 2014	
	Total value	Investment (withdrawals)	Revaluation	Gross income	Dividends paid	Admin expense	Group's fee as an agent	Total Value
Al Rayyan	2,194	(1,955)	(91)	-	-	-	-	148
Danat	3,567	(91)	-	-	-	-	-	3,476
Asian Finance Bank	72,800	(72,800)	-	-	-	-	-	-
Solidarity Group Holding B.S.C	1,420	-	-	-	-	-	-	1,420
Marsa Al Seef	116,152	(30,977)	-	-	-	-	-	85,175
John Spiers	11,220	(11,761)	556	-	-	-	(15)	-
Wise Capital	5,287	(5,287)	-	-	-	-	-	-
BLME Sub.	22,441	(23,522)	1,111	-	-	-	(30)	-
ABC Sub.	20,559	(20,401)	(158)	-	-	-	-	-
Edward Hotel	20,661	(20,661)	-	-	-	-	-	-
Discretionary Portfolio Management	20,427	54,600	(859)	24,166	-	-	(175)	98,159
QInvest GCC Basket Trust Certificates	18,636	(18,636)	-	-	-	-	-	-
	<u>315,364</u>	<u>(151,491)</u>	<u>559</u>	<u>24,166</u>	<u>-</u>	<u>-</u>	<u>(220)</u>	<u>188,378</u>

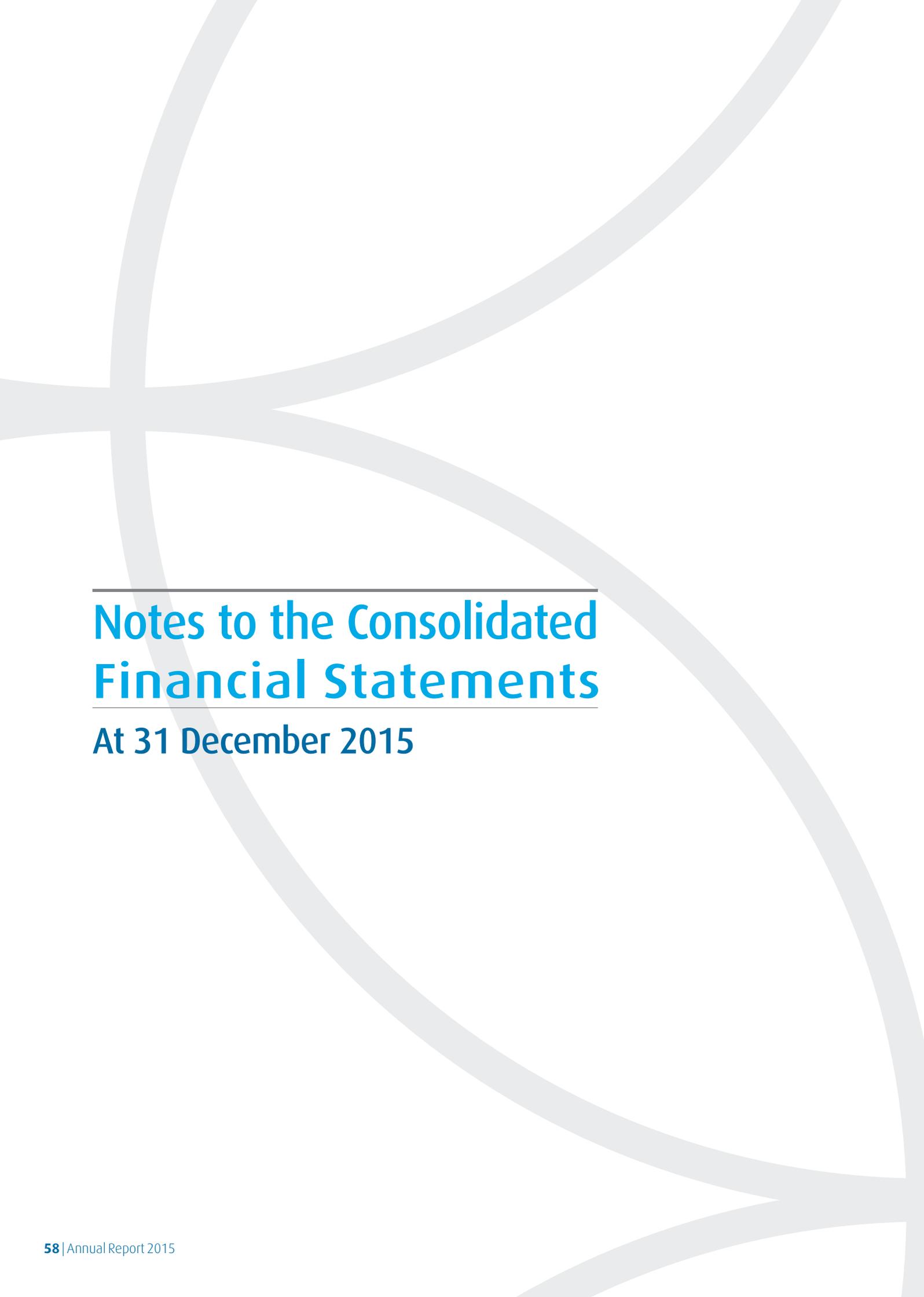
**CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND**

For the year ended 31 December 2015

	2015	2014
<b>Source of charity fund</b>		
Earnings prohibited by Shari'a during the year	<u>2,657</u>	<u>991</u>
<b>Use of charity fund</b>		
Researches, donations and other uses during the year	<u>5,341</u>	<u>5,500</u>

The attached notes from 1 to 45 form an integral part of these consolidated financial statements.





---

# Notes to the Consolidated Financial Statements

---

At 31 December 2015

## 1. REPORTING ENTITY

Qatar Islamic Bank (Q.S.C.) ("QIB" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as Qatari Public Shareholding company under Emiri Decree No. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank's registered office is Doha, State of Qatar, P.O. Box 559. The consolidated financial statements of the Bank for the year ended 31 December 2015 comprise the financial statements of the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Bank is primarily involved in corporate, retail and investment

banking, and has 31 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (Q.S.C.). The Bank's shares are listed for trading on the Qatar Exchange.

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 19 January 2016.

The principal subsidiaries of the Group are as follows:

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2015	2014
Arab Finance House	Lebanon	Banking	99.99%	99.99%
Aqar Real Estate Development and Investment Company W.L.L. ("Aqar") (i)	Qatar	Investment in real estates	49%	49%
Durat Al Doha Real Estate Investment and Development W.L.L. (ii)	Qatar	Investment in real estates	39.87%	39.87%
QIB Sukuk Ltd (iii)	Cayman Islands	Sukuk issuance	-	-
QIB Sukuk Funding Limited	Qatar	Financing company	100%	100%
QIB (UK)	United Kingdom	Investment banking	99.43%	99.43%
QInvest LLC (iv)	Qatar	Investment banking	50.13%	50.13%
Q West S.A.S. (v)	France	Equity Investments	50.13%	50.13%
Verdi Luxembourg SARL (v)	Luxembourg	Investment in real estate	50.13%	50.13%
Q Business Services (v)	Cayman Islands	Investment holding company	50.13%	50.13%
Q Liquidity Limited (v)	Cayman Islands	Placements	50.13%	50.13%
QInvest Holding Mauritius (v)	Mauritius	Investment holding company	50.13%	50.13%
Q Exhibit (v)	Mauritius	Investment holding company	50.13%	50.13%
QInvest Luxembourg S.a.r.l. (v)	Luxembourg	Investments	50.13%	50.13%
Q Green (v)	Cayman Islands	Investment holding company	50.13%	50.13%
Q Invest Saudi Arabia (v)	Saudi Arabia	Investment holding company	50.13%	50.13%
QI St Edmund's Terrace 2 Limited (v)	Cayman Islands	Investment holding company	50.13%	50.13%
QInvest Marina LLC (v)	Qatar	To provide financing facility	50.13%	50.13%
QInvest Admiral LLC (v)	Qatar	To provide financing facility	50.13%	50.13%

## 1. REPORTING ENTITY (Continued)

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2015	2014
QInvest Denmark LLC (v)	Qatar	To provide financing facility	50.13%	50.13%
QInvest Comms Holding LLC (v)	Qatar	To provide financing facility	50.13%	50.13%
QI One Wall Street Invest Co. (v)	Cayman Islands	Investment holding company	50.13%	50.13%
QInvest Canyon LLC (v)	Qatar	To provide financing facility	50.13%	-
QEthika 1 (v)	Cayman Islands	Investment holding company	50.13%	-
QNGPV1 (v)	Cayman Islands	Investment holding company	50.13%	-
QInvest Terabyte LLC (v)	Qatar	To provide financing facility	50.13%	-
QInvest Charger LLC (v)	Qatar	To provide financing facility	50.13%	-
QInvest Euro PE QFC LLC (v)	Qatar	Investment holding company	50.13%	-
QInvest Rio LLC (v)	Qatar	Investment holding company	50.13%	-
Rio income s.a.r.l. (v)	Luxembourg	Investment in lease	50.13%	-
QInvest Poultry LLC (v)	Qatar	To provide financing facility	50.13%	-
Q Tomahawk LLC (v)	Cayman Islands	Investment holding company	50.13%	-
QInvest Refin LLC (v)	Qatar	To provide financing facility	50.13%	-

## Notes:

- i) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing highest number of members in the Board.
- ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through management agreement with other shareholders in the Company.
- iii) QIB Sukuk Ltd was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIB.

- iv) As per the Articles of Association of QInvest, the Bank has the power to appoint 8 members of the Board of Directors out of 8 members. Further, on 27 February 2014, QInvest LLC in its Extraordinary General Assembly approved buyback of its shares (44,642,857 shares). Due to the buyback of shares from minority shareholders, the QIB shareholding in QInvest LLC has increased to 50.13%.
- v) The Group has the power to control these entities, indirectly through QInvest LLC and accordingly these entities have been considered as subsidiaries of the Group.

## 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", "derivative financial instruments" and "investment properties" that have been measured at fair value.

### (c) Functional and presentation of currency

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

### (d) Use of estimates and judgments

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Basis of consolidation

#### (i) Business combinations

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Basis of consolidation (Continued)

##### (i) Business combinations (Continued)

Profit or loss attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in consolidated statement of income. Any investment retained is recognised at fair value.

##### (ii) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit

(CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

##### (iii) 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 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.

##### (iv) Associates

An Associate is an entity 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 policies.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Basis of consolidation (Continued)

##### (iv) Associates (Continued)

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

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.

##### (v) Joint ventures

Joint ventures are entities where the Group has a contractual arrangement with one or more parties to undertake activities typically, through entities that are subject to joint control.

The Group recognises interests in a jointly controlled entity using the equity method of accounting. The accounting policy given in Note 3(a) (iv) therefore applies for investments in joint ventures as well.

The Group's share of the results of joint ventures 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 with the accounting policies of the Group. Intragroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intragroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

##### (iv) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity.

#### (b) Foreign currency

##### (i) Foreign currency transactions and balances

Foreign currency transactions are denominated, or that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the transaction dates.

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

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

##### (ii) Foreign operations

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in this case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in equity

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

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(b) Foreign currency (Continued)****(ii) Foreign operations (Continued)**

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'equity'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the spot closing rate.

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

**(c) Investment securities**

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

**(i) Classification**

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

**Debt-type instruments**

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

**(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 remeasured at fair value at the end of each reporting period and the resultant remeasurement 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 amortisation 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 remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Investment securities (Continued)

##### (iii) Measurement (Continued)

reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated 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.

#### (d) Financing assets

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

###### Murabaha and Musawama

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a Murabaha and Musawama transaction by buying a commodity (which represents the object of the Murabaha) and selling it to the Murabeh (a beneficiary) at a margin of profit over cost. The sales price (cost plus the profit margin) is repaid in installments by the Murabeh over the

agreed period. Murabaha and Musawama receivables are stated net of deferred profits and impairment allowance (if any).

Based on QCB 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

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

###### Musharaka

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

###### Ijarah

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

###### Istisna'a

Istisna'a is a sales contract in which the 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.

###### Wakala

Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment of the Muwakkil funds in a Shari'a compliant transaction. The Wakeel uses the funds based on the nature of the contract and offer an anticipated return to the Muwakkil. Wakala contracts are stated at amortised cost.

#### (e) 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, 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.

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

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.

involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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

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.

**(f) 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).

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Impairment of financial assets (Continued)**

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.

**(g) Cash and cash equivalents**

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

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

**(h) Investment properties**

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.

**(i) Risk Management Instruments**

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks, including unilateral promise to buy/sell currencies. These transactions are translated at prevailing spot exchange rates.

**(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 labor, 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.

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

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 statement of income 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. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(j) Fixed assets (Continued)****(ii) Subsequent costs (Continued)**

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

	Years
Buildings	20
IT equipment	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.

**k) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. 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:

	Goodwill	Software	Trade names and licenses	Brand name
Useful lives	Indefinite	Finite (3-5 years)	Finite (10 years)	Finite (50 years)
Amortisation method used	Tested for impairment either individually or at cash generating unit level	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability
Internally generated or acquired	Acquired	Acquired	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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (l) Impairment of non-financial assets (Continued)

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.

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 Group 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 Group 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 year end are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of 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) Restricted investment accounts

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

#### (q) 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 amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

#### (r) 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.

#### (i) 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.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(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.

**(iii) Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(iv) Share-based payment transactions**

Employees (selected key employees) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

**Equity-settled transactions**

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share-based payment reserve in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transaction for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the

minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through income statement.

**(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**

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)****Istisna'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.

**Wakala**

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

**Income from investment banking services**

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

**Fees and commission income**

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

**Dividend income**

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

**(v) Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable consolidated income statement;
- Temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- Temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(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 Group to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(y) Fiduciary activities**

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

**(z) Repossessed collateral**

Repossessioned collaterals against settlement of financing assets are stated within the consolidated statement of financial position under "Other assets" at their acquisition value net of allowance for impairment, if any.

Unrealised losses due to the reduction in the fair value of such assets in relation to the acquisition cost as at reporting date are included in the consolidated statement of income. In the case of an increase in the fair value of such properties in the future, unrealised gain is recognised in the consolidated statement of income to the extent of unrealised losses previously recognised.

**(aa) Earnings prohibited by Shari'a**

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

**(bb) Assets held for sale**

Assets (or disposal groups or subsidiary held for sale) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Assets (or disposal groups or subsidiary held for sale) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. If the criteria for held for sale is no longer met, the Group shall cease to classify the asset (or disposal group or subsidiary held for sale) as held for sale and shall measure the assets at the lower of its carrying amount before the asset (or disposal group or subsidiary held for sale) was classified as held for sale, adjusted for any depreciation, amortisation or revaluation

that would have been recognised had the asset (or disposal group or subsidiary held for sale) not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell. An extension of the period required to complete a sale does not preclude an asset (or disposal group or subsidiary held for sale) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group or subsidiary held for sale).

**(cc) 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

**(dd) 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 recognised 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 recognised in the consolidated statement of income under "fee and commission income".

**(ee) 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 recognised in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements, unless they are remote.

**(ff) Comparatives**

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

**(gg) Parent bank financial information**

Statement of financial position and statement of income of the parent Bank as disclosed in Note 44 and Note 45 respectively are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (hh) Derivatives

##### (i) Derivatives Held for Risk management Purposes and Hedge Accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss. These hedging relationships are discussed below.

##### Fair Value Hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

##### Cash Flow Hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the consolidated statement of income as a reclassification adjustment.

##### (ii) New standards and interpretations

The following amendments to AAOIFI, IFRS and new IFRSs have been applied by the Group in preparation of these consolidated financial statements whenever there is no applicable FAS Standard. 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 consolidated financial statements of the Islamic Window.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010 - 2012 Cycle
- Annual Improvements 2011 - 2013 Cycle

The adoption of the above standards did not result in any changes to previously reported net profit or equity of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (ii) New standards and interpretations (Continued)

##### Standards issued but not yet effective

The below mentioned Standards, Interpretation and Amendments to Standards are not yet effective.

The Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates, if there is no equivalent FAS Standard.

- 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 consolidated financial statements of the Islamic Window. FAS 27 is effective for annual periods beginning 1 January 2016.
- IFRS 9 – Financial Instruments (Effective 1 January 2018)
- IFRS 14 – Regulatory Deferral Accounts (Effective 1 January 2016)
- IFRS 15 – Revenue from Contracts with Customers (Effective 1 January 2018)
- Amendments to IAS 1 Disclosure Initiative (Effective 1 January 2016)
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (Effective 1 January 2016)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptance Methods of Depreciation and Amortisation (Effective 1 January 2016)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (Effective 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: Applying the Consolidation Exception (Effective 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 central banks, due from banks, investment securities, financing assets, derivative financial assets and certain other assets. Financial liabilities include customers' current accounts, due to banks, Sukuk financing and certain other liabilities. Financial instruments also include equity of unrestricted investment account holders, 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 specialised committees that report directly to it and perform functions on its behalf to support efficient management practice which mainly include Board Executive Committee, Audit and Risk Committee, Policies and Procedures Committee, Compensation and Benefits Committee and Zakat Committee.

The Board Executive Committee is represented by Board Members with the Group Chief Executive Officer participation, and senior executives of the Bank who bear the responsibility of information under discussion. The Executive Committee serves as a tool to coordinate the business. It has, as its primary tasks and responsibilities, the provision of ongoing information to the Board on business developments, regular review of business segments, consultation with and furnishing advice to the Board on strategic decisions and preparation of credit decisions, within its delegated authorities. The Board Executive Committee works to develop the Group's business plan to be presented to the Board.

## 4. FINANCIAL RISK MANAGEMENT (Continued)

### (a) Introduction and overview (Continued)

#### Risk management framework (Continued)

The primary objective of Policies and Procedures Committee is to study, prepare and develop strategies, objectives, policies, systems, plans, and procedures manuals. The Committee ensures that the Group policies and practices are conducted in accordance with the established and approved business operating standards. The Committee reviews the operating efficiency of the respective functions, and measures the alignment of functional procedures with corporate objectives and business processes. The Committee is also responsible for the review and consolidation of business development, product alignment and resources distribution across Group. The Committee highlights deviations of policies and procedures from laid down standards to the management for necessary corrective action from time to time and reviews compliance of the same. The Committee is also responsible to develop Group's corporate social responsibility strategy in light of Group's brand values.

Compensation & Benefits Committee consists of Board Members, Group Chief Executive Officer and GM Human Capital. Its main responsibility is to select & evaluate applicants for senior executive posts, and provides recommendations thereof to the Board of Directors. In addition, it determines senior staff rewards and privileges, and distributes the same as per performance appraisals. Besides, the Committee looks into recommendations of promotions and salary increments to verify their alignment to the approved budget.

Zakat Committee is responsible to promote interdependence and integration among members of the Muslim community by channeling contributions of Zakat. The Committee identifies key players in the field of humanitarian aid, general development and other channels that can be used to distribute Zakat proceeds. The Committee is responsible to develop good relationships with charitable, humanitarian aid groups and institutions that provide assistance in general development in order to evaluate recipients who would receive Zakat proceeds.

Audit and Risk Committee's objective is to assist the Board to fulfill its corporate governance and oversight responsibilities related to the Group. This risk management, financial reports, systems of internal control, the internal and external audit functions and the process of monitoring compliance with laws and regulations and the Group's code of business conduct. The Committee role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Audit and Risk Committee charter in order to facilitate decision making to the Board.

The Audit and Risk Committee is assisted in these functions by the Internal Audit and Compliance Departments.

In addition to the above mentioned committees, the management has also established a number of multi-functional internal committees such as the Management Committee, Credit &

Investment Committee, Assets and Liabilities Committee (ALCO) and, Special Assets Committee which are responsible for developing and monitoring Group's risk management policies in their specified areas.

A separate Risk Management Group, reporting to the Group Chief Executive Officer and the Audit and Risk Committee, assists in carrying out the oversight responsibility of the Board.

Risk Group function operates within a Board approved Risk Appetite framework. The framework identifies key risks faced by the Bank and sets accordingly appropriate risk limits and controls. The group monitors risks and adherence to limits. The Group Risk appetite framework, policies and systems are reviewed regularly, to reflect changes in market conditions, products and services offered.

### (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, contingent exposures and certain other assets.

The Group's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of financing assets;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of financing assets are subject to the same review process;
- Diversification of financing and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

The Credit Committee is responsible for sanctioning high value credits and for the formulation of credit policies and processes in line with growth, risk management and strategic objectives. In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

Regular audits of business units and Group credit processes are undertaken by Internal/External Audit and Compliance Divisions.

**4. FINANCIAL RISK MANAGEMENT (Continued)****(b) Credit risk (Continued)****(i) Maximum exposure to credit risk before collateral held or other credit enhancements**

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.

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

	2015	2014
Balances with central banks	4,450,331	4,335,015
Due from banks	9,494,044	8,931,018
Financing assets	87,221,910	59,681,531
Investment securities	17,208,344	14,733,346
Other assets	603,155	770,724
	<u>118,977,784</u>	<u>88,451,634</u>
<b>Other credit risk exposures</b>		
Guarantees	11,036,519	8,640,208
Unutilised financing facilities	8,758,508	6,456,492
Letters of credit	1,929,350	1,623,905
Acceptances	293,478	533,329
	<u>22,017,855</u>	<u>17,253,934</u>

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

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
Balances with central banks	4,304,405	-	120,651	25,275	4,450,331
Due from banks	5,491,361	1,989,611	726,114	1,286,958	9,494,044
Financing assets	77,200,563	2,703,673	495,328	6,822,346	87,221,910
Investment securities	14,199,911	1,125,881	447,290	1,435,262	17,208,344
Other assets	339,810	9,279	30,989	223,077	603,155
	<u>101,536,050</u>	<u>5,828,444</u>	<u>1,820,372</u>	<u>9,792,918</u>	<u>118,977,784</u>

**2014****Assets recorded on the consolidated statement of financial position:**

	Qatar	Other GCC	Other Middle East	Others	Total
Balances with central banks	4,216,491	-	74,097	44,427	4,335,015
Due from banks	3,908,879	3,807,300	601,909	612,930	8,931,018
Financing assets	56,287,095	1,264,550	278,215	1,851,671	59,681,531
Investment securities	13,157,797	627,268	184,100	764,181	14,733,346
Other assets	498,210	100,666	31,810	140,038	770,724
	<u>78,068,472</u>	<u>5,799,784</u>	<u>1,170,131</u>	<u>3,413,247</u>	<u>88,451,634</u>

**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**

<b>2015</b>	<b>Qatar</b>	<b>Other GCC</b>	<b>Other Middle East</b>	<b>Others</b>	<b>Total</b>
Guarantees	10,966,265	47,866	6,367	16,021	11,036,519
Unutilised financing facilities	8,501,045	-	13,626	243,837	8,758,508
Letters of credit	1,918,957	-	-	10,393	1,929,350
Acceptances	293,478	-	-	-	293,478
	<u>21,679,745</u>	<u>47,866</u>	<u>19,993</u>	<u>270,251</u>	<u>22,017,855</u>

<b>2014</b>	<b>Qatar</b>	<b>Other GCC</b>	<b>Other Middle East</b>	<b>Others</b>	<b>Total</b>
Guarantees	8,552,125	-	10,349	77,734	8,640,208
Unutilised financing facilities	5,937,557	163,800	8,362	346,773	6,456,492
Letters of credit	1,582,684	-	18,287	22,934	1,623,905
Acceptances	406,367	-	-	126,962	533,329
	<u>16,478,733</u>	<u>163,800</u>	<u>36,998</u>	<u>574,403</u>	<u>17,253,934</u>

**Industry sectors**

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

	<b>Gross exposure 2015</b>	<b>Gross exposure 2014</b>
Government and related entities	6,330,956	5,549,456
Non-banking financial institutions	7,191,854	2,453,951
Industry	6,239,398	4,775,369
Commercial	14,524,275	9,055,513
Services	8,295,498	10,800,925
Contracting	2,954,067	2,746,793
Real estate	22,603,110	16,045,449
Personal	27,524,371	13,028,230
Others	2,745,793	2,183,365
<b>Total financing assets</b>	<u>98,409,322</u>	<u>66,639,051</u>
Less: Deferred profit	10,542,027	6,399,267
Provision for impairment of financing assets	579,953	514,849
Suspended Profit	65,432	43,404
<b>Net financing assets</b>	<u>87,221,910</u>	<u>59,681,531</u>

**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		Investment securities	
	2015	2014	2015	2014	2015	2014
<b>Neither past due nor impaired:</b>						
Gross amount	95,440,557	63,158,446	9,499,452	8,934,220	-	-
Deferred profit	(10,542,027)	(6,399,267)	(5,408)	(3,202)	-	-
<b>Carrying amount</b>	<b>84,898,530</b>	<b>56,759,179</b>	<b>9,494,044</b>	<b>8,931,018</b>	<b>-</b>	<b>-</b>
<b>Past due but not impaired:</b>						
<b>Carrying amount</b>	<b>2,367,226</b>	<b>2,906,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Impaired</b>						
Substandard (overdue > 3 months)	115,319	101,804	-	-	-	-
Doubtful (overdue > 6 months)	36,586	54,916	-	-	-	-
Loss (overdue > 9 months)	449,634	417,699	-	-	-	-
	601,539	574,419	-	-	-	-
Specific impairment allowance	(552,975)	(514,849)	-	-	-	-
Collective impairment allowance	(26,978)	-	-	-	-	-
Suspended profit	(65,432)	(43,404)	-	-	-	-
	(645,385)	(558,253)	-	-	-	-
<b>Carrying amount of impairment (net)</b>	<b>(43,846)</b>	<b>16,166</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investment securities</b>						
At fair value through income statement	-	-	-	-	109,688	100,819
At amortised cost	-	-	-	-	17,098,656	14,632,527
	-	-	-	-	17,208,344	14,733,346
<b>Total carrying amount</b>	<b>87,221,910</b>	<b>59,681,531</b>	<b>9,494,044</b>	<b>8,931,018</b>	<b>17,208,344</b>	<b>14,733,346</b>

**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)****Financing assets past due but not impaired**

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

	2015	2014
Up to 30 days	1,300,347	2,380,559
30 to 60 days	827,896	349,137
60 – 90 days	238,931	176,151
More than 90 days	52	339
<b>Gross</b>	<b>2,367,226</b>	<b>2,906,186</b>

**Renegotiated financing assets**

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated financing assets as at 31 December 2015 amounted to QAR 76 Million (2014: QAR 26.7 Million). These mainly represent Ijarah and Istisna' financing that have been restructured upon completion of underlying assets and based on the expected future cash flows.

**(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 guarantees or legal mortgage against the past dues financing assets. The aggregate collateral is QAR 1,100 Million (2014: QAR 2,081 Million).

**Reposessed collateral**

Reposessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Reposessed property is classified in the consolidated statement of financial position within other assets. The Group generally does not use the non-cash collateral for its own operations.

**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.

**(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 QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB and other regulators. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis through a Liquidity Management dashboard which captures many liquidity parameters both under normal and stressed market conditions. The dashboard includes threshold points which will help proactively identify any liquidity constraints, the remedial actions that will be taken under each situation along with the responsible persons. All liquidity policies and procedures are subject to review and approval by ALCO and the Board of Director.

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 customer deposits, i.e total assets by maturities against total liabilities by maturities. For this purpose net liquid assets are considered as including

**4. FINANCIAL RISK MANAGEMENT (Continued)****(c) Liquidity risk (Continued)****(ii) Exposure to liquidity risk (Continued)**

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.

**(iii) Maturity analysis**

Maturity analysis of 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.

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
<b>2015</b>						
Cash and balances with central banks	1,018,920	30,690	-	4,036,230	-	5,085,840
Due from banks	9,248,319	219,972	25,753	-	-	9,494,044
Financing assets	11,777,004	9,268,603	7,397,916	18,915,520	39,862,867	87,221,910
Investment securities	1,996,540	458,060	698,265	7,765,328	7,921,893	18,840,086
Investment in associates	-	-	-	-	1,047,869	1,047,869
Investment properties	-	-	-	-	1,055,181	1,055,181
Assets of a subsidiary held for sale	-	4,460	-	-	-	4,460
Fixed assets	8	341	60,034	22,986	492,033	575,402
Intangible assets	54	1,301	119,311	23,887	266,057	410,610
Other assets	348,901	83,251	141,311	242,178	2,479,461	3,295,102
<b>Total assets</b>	<b>24,389,746</b>	<b>10,066,678</b>	<b>8,442,590</b>	<b>31,006,129</b>	<b>53,125,361</b>	<b>127,030,504</b>
<b>Liabilities and equity of unrestricted investment account holders</b>						
<b>Liabilities</b>						
Due to banks	8,183,377	1,274,195	23,872	1,717,383	-	11,198,827
Customers' current accounts	14,193,927	-	-	-	-	14,193,927
Sukuk financing	-	-	-	2,725,603	2,725,217	5,450,820
Liabilities of a subsidiary held for sale	-	3,399	-	-	-	3,399
Other liabilities	814,568	226,654	330,210	96,433	214,315	1,682,180
<b>Total liabilities</b>	<b>23,191,872</b>	<b>1,504,248</b>	<b>354,082</b>	<b>4,539,419</b>	<b>2,939,532</b>	<b>32,529,153</b>
<b>Equity of unrestricted investment account holders</b>	<b>55,676,671</b>	<b>10,370,363</b>	<b>9,857,369</b>	<b>818,927</b>	<b>603,257</b>	<b>77,326,587</b>
<b>Total liabilities and equity of unrestricted investment account holders</b>	<b>78,868,543</b>	<b>11,874,611</b>	<b>10,211,451</b>	<b>5,358,346</b>	<b>3,542,789</b>	<b>109,855,740</b>
<b>Maturity gap</b>	<b>(54,478,797)</b>	<b>(1,807,933)</b>	<b>(1,768,861)</b>	<b>25,647,783</b>	<b>49,582,572</b>	<b>17,174,764</b>

**4. FINANCIAL RISK MANAGEMENT (Continued)****(c) Liquidity risk (Continued)****(iii) Maturity analysis (Continued)**

	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
<b>2014</b>						
Cash and balances with central banks	1,944,935	-	-	-	2,988,539	4,933,474
Due from banks	8,616,034	242,703	72,281	-	-	8,931,018
Financing assets	6,370,318	3,511,979	6,120,115	13,902,773	29,776,346	59,681,531
Investment securities	2,344,844	496,360	-	5,034,308	8,078,884	15,954,396
Investment in associates	-	-	-	-	966,777	966,777
Investment properties	-	-	-	-	1,216,420	1,216,420
Assets of a subsidiary held for sale	-	-	61,361	-	-	61,361
Fixed assets	-	-	-	-	554,951	554,951
Intangible assets	-	-	-	-	374,995	374,995
Other assets	321,526	95,835	109,017	379,268	2,525,895	3,431,541
<b>Total assets</b>	<b>19,597,657</b>	<b>4,346,877</b>	<b>6,362,774</b>	<b>19,316,349</b>	<b>46,482,807</b>	<b>96,106,464</b>
<b>Liabilities and equity of unrestricted investment account holders</b>						
<b>Liabilities</b>						
Due to banks	6,777,519	1,233,214	5,476	88,003	-	8,104,212
Customers' current accounts	15,124,873	-	-	-	-	15,124,873
Sukuk financing	-	-	2,727,104	2,723,132	-	5,450,236
Liabilities of a subsidiary held for sale	-	-	18,688	-	-	18,688
Other liabilities	956,014	181,448	419,779	58,908	140,651	1,756,800
<b>Total liabilities</b>	<b>22,858,406</b>	<b>1,414,662</b>	<b>3,171,047</b>	<b>2,870,043</b>	<b>140,651</b>	<b>30,454,809</b>
<b>Equity of unrestricted investment account holders</b>	<b>31,979,351</b>	<b>9,724,355</b>	<b>8,323,566</b>	<b>481,516</b>	<b>971,201</b>	<b>51,479,989</b>
<b>Total liabilities and equity of unrestricted investment account holders</b>	<b>54,837,757</b>	<b>11,139,017</b>	<b>11,494,613</b>	<b>3,351,559</b>	<b>1,111,852</b>	<b>81,934,798</b>
<b>Maturity gap</b>	<b>(35,240,100)</b>	<b>(6,792,140)</b>	<b>(5,131,839)</b>	<b>15,964,790</b>	<b>45,370,955</b>	<b>14,171,666</b>

**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 ALCO and heads of each business unit.

Non-trading portfolios primarily arise from the profit rate and 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. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO/BoD) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification measurement, assessment and controlling the 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 maximise 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.

**(ii) Exposure to market risks – trading portfolios**

The principal tool used to measure and control market risk exposure within the Group's trading portfolios is Value at Risk (VaR). The VaR of a trading portfolio is the estimated loss that will arise on the portfolio over a specified period of time (holding period) from an adverse market movement with a specified probability (confidence level). The VaR model used by the Group is based upon a 99 percent confidence level and assumes a 10-day holding period. The VaR model used is based mainly on historical simulation. Taking account of market data from the previous three years, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some

limitations, including the following:

- A 10-day holding period assumes that it is possible to hedge or dispose of positions within that period. This may not be the case for certain highly illiquid assets or in situations in which there is severe general market illiquidity.
- A 99 percent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is a one percent probability that losses could exceed the VaR.
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day.
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature.

The Group uses VaR limits for total market risk and specific foreign exchange, profit rate, equity, credit spread and other price risks. The overall structure of VaR limits is subject to review and approval by ALCO. VaR limits are allocated to trading portfolios. VaR is measured at least daily and more regularly for more actively traded portfolios. Daily reports of utilisation of VaR limits are submitted to Group Market Risk and regular summaries are submitted to ALCO.

A summary of the VaR position of the Group's trading portfolios at 31 December and during the year is as follows:

	At 31 December	Average	Maximum	Minimum
<b>2015</b>				
<b>Equity price risk 10-day VaR @99%</b>	<b>63</b>	<b>62</b>	<b>69</b>	<b>51</b>
<b>2014</b>				
Equity price risk 10-day VaR @99%	53	51	56	46

The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity, on individual trading portfolios and the Group's overall position.

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

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Group Market Risk Treasury in its day-to-day monitoring activities.

**4. FINANCIAL RISK MANAGEMENT (Continued)****(d) Market risks (Continued)****(iii) Exposure to profit rate risk – non-trading portfolios (Continued)**

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

	Carrying amount	Less than 3 months	Repricing in:			Non-profit sensitive	Effective profit rate
			3-12 months	1-5 years	More than 5 years		
<b>2015</b>							
Cash and balances with central banks	5,085,840	923,093	30,690	-	-	4,132,057	-
Due from banks	9,494,044	9,224,736	269,308	-	-	-	0.54%
Financing assets	87,221,910	35,764,370	24,580,236	18,926,844	7,950,460	-	4.20%
Investment securities	18,840,086	1,746,155	1,113,397	11,359,399	2,973,042	1,648,093	2.90%
	<u>120,641,880</u>	<u>47,658,354</u>	<u>25,993,631</u>	<u>30,286,243</u>	<u>10,923,502</u>	<u>5,780,150</u>	-
Due to banks	11,198,827	8,172,718	1,284,854	1,741,255	-	-	0.70%
Sukuk financing	5,450,820	-	-	5,450,820	-	-	3.02%
	<u>16,649,647</u>	<u>8,172,718</u>	<u>1,284,854</u>	<u>7,192,075</u>	<u>-</u>	<u>-</u>	
Equity of unrestricted investment account holders	77,326,587	55,676,672	20,227,731	1,422,184	-	-	1.42%
	<u>93,976,234</u>	<u>63,849,390</u>	<u>21,512,585</u>	<u>8,614,259</u>	<u>-</u>	<u>-</u>	-
<b>Profit rate sensitivity gap</b>	<u>26,665,646</u>	<u>(16,191,036)</u>	<u>4,481,046</u>	<u>21,671,984</u>	<u>10,923,502</u>	<u>5,780,150</u>	-
<b>Cumulative profit rate sensitivity gap</b>	<u>-</u>	<u>26,665,646</u>	<u>42,856,682</u>	<u>38,375,636</u>	<u>16,703,652</u>	<u>5,780,150</u>	-

**4. FINANCIAL RISK MANAGEMENT (Continued)****(d) Market risks (Continued)****(iii) Exposure to profit rate risk – non-trading portfolios (Continued)**

	Carrying amount	Less than 3 months	Repricing in:			Non-profit sensitive	Effective profit rate
			3-12 months	1-5 years	More than 5 years		
2014							
Cash and balances with central banks	4,933,474	1,887,593	-	29,232	-	3,016,649	-
Due from banks	8,931,018	8,583,728	314,984	-	32,306	-	1.62%
Financing assets	59,681,531	27,774,325	15,967,145	14,311,868	1,628,193	-	4.32%
Investment securities	15,954,396	2,287,425	875,086	9,804,380	1,486,714	1,500,791	3.07%
	<u>89,500,419</u>	<u>40,533,071</u>	<u>17,157,215</u>	<u>24,145,480</u>	<u>3,147,213</u>	<u>4,517,440</u>	<u>-</u>
Due to banks	8,104,212	6,708,327	1,289,585	-	106,300	-	0.85%
Sukuk financing	5,450,236	-	2,727,104	2,723,132	-	-	3.19%
	<u>13,554,448</u>	<u>6,708,327</u>	<u>4,016,689</u>	<u>2,723,132</u>	<u>106,300</u>	<u>-</u>	<u>-</u>
Equity of unrestricted investment account holders	51,479,989	31,979,344	18,047,908	1,308,168	144,569	-	0.97%
	<u>65,034,437</u>	<u>38,687,671</u>	<u>22,064,597</u>	<u>4,031,300</u>	<u>250,869</u>	<u>-</u>	<u>-</u>
Profit rate sensitivity gap	<u>24,465,982</u>	<u>1,845,400</u>	<u>(4,907,382)</u>	<u>20,114,180</u>	<u>2,896,344</u>	<u>4,517,440</u>	<u>-</u>
Cumulative profit rate sensitivity gap	<u>-</u>	<u>24,465,982</u>	<u>22,620,582</u>	<u>27,527,964</u>	<u>7,413,784</u>	<u>4,517,440</u>	<u>-</u>

**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:

	Sensitivity of net profit	100 bp parallel increase	100 bp parallel decrease
2015			
At 31 December		<b>(64.59 Million)</b>	<b>64.59 Million</b>
2014			
At 31 December		(14.15 Million)	14.15 Million

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

**4. FINANCIAL RISK MANAGEMENT (Continued)****(d) Market risks (Continued)****(iv) Exposure to other market risks – non-trading portfolios****Foreign currency transactions**

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

**Net Open currency exposure as at 31 December 2015  
in QAR '000**

	2015	2014
Net foreign currency exposure:		
Sterling Pounds	(13,817)	(110,794)
USD	(4,363,461)	(1,243,294)
Euro	6,174	(58,846)
Other currencies	126,082	56,312

The exchange rate of QAR against US Dollar has been pegged and the Group's exposure to currency risk is limited to that extent. The Group uses Shari'a compliant forward contracts to mitigate the other currency risks.

The table below indicates the effect of a reasonably possible movement of the currency rate against the QAR on the net profit for the year, with all other variables held constant:

	Increase / (decrease)	
	2015	2014
5% change in currency exchange rate		
Sterling Pound	(691)	(5,540)
USD	(218,173)	(62,165)
Euro	309	(2,942)
Other currencies	6,304	2,816

**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 also 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	2014	2015	2014
Qatar Exchange	+/- 10%	24,543	17,073	436	-
Bahrain Stock Exchange	+/- 10%	3,268	977	-	-
Damascus Securities Exchange	+/- 10%	5,799	1,829	-	-
France	+/- 10%	3,673	2,374	-	-

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.

**(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.

## Notes to the Consolidated Financial Statements at 31 December 2015

QAR '000s

## 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	14,380,548	11,380,321
Tier 2 capital	377,811	34,242
Total regulatory capital	14,758,359	11,414,563

## Risk weighted assets

	2015	2014
	Basel III	Basel III
Risk weighted assets for credit risk	98,384,667	72,921,313
Risk weighted assets for market risk	586,144	243,335
Risk weighted assets for operational risk	5,886,356	4,951,388
Total risk weighted assets	104,857,167	78,116,036
Regulatory capital	14,758,359	11,414,563
Risk weighted assets as a percentage of regulatory Capital (capital ratio)	14.1%	14.6%

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 Credit Risk function. 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 sell 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. 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.

**5. USE OF ESTIMATES AND JUDGMENTS (Continued)****(b) Critical accounting judgements in applying the Group's accounting policies (Continued)****(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 measurements categorised:

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>2015</b>				
<b>Assets measured at fair value:</b>				
<b>Investments securities:</b>				
Quoted equity-type investments classified as fair value through income statement	4,357	4,357	-	-
Unquoted equity-type investments classified as fair value through income statement	771,354	-	771,354	-
Quoted equity-type investments classified as fair value through equity	259,932	259,932	-	-
Unquoted equity-type investments classified as fair value through equity	600,456	-	600,456	-

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>2014</b>				
<b>Assets measured at fair value:</b>				
<b>Investments securities:</b>				
Quoted equity-type investments classified as fair value through income statement	-	-	-	-
Unquoted equity-type investments classified as fair value through income statement	448,902	-	280,593	168,309
Quoted equity-type investments classified as fair value through equity	222,899	222,899	-	-
Unquoted equity-type investments classified as fair value through equity	549,249	-	498,398	50,851

**5. USE OF ESTIMATES AND JUDGMENTS (Continued)****(b) Critical accounting judgements in applying the Group's accounting policies (Continued)****(ii) Financial asset classification (Continued)**

During the current year and due to changes in market conditions for certain investment securities, quoted prices in active markets were no longer available for certain securities. However, there was sufficient information available to measure fair values of those securities using other valuation techniques. There have been no transactions between level 1 and level 2 during the years ended 31 December 2015 and 2014.

**(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.

**(iv) Useful life of intangible assets**

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

**(v) Estimation of net realisable value for inventory and projects under development**

Inventory and projects under development is stated at the lower of cost and net realisable value (NRV). NRV is assessed with reference to market conditions and prices existing at the statement of financial position date and is determined by the Group having taken suitable external advice and in the light of recent market transactions.

**(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 the investee will enter bankruptcy or other financial reorganisation.

**(vii) Classification of assets held for sale**

The Group classifies non-current assets or a disposal group as 'held for sale' if its carrying amount is expected to be

recovered principally through a sale transaction rather than through continuing use. In addition, the sale is expected to be completed within one year from the date of classification. The expected time of completion of sale and management's plan to sell is based on management assumptions in relation to the condition of the asset and its current performance and requires judgment. There is no certainty on the execution and completion of the sale transaction and any changes in the plan to sell may cause the classification of the disposal group to be changed and consequently the basis of measurement, presentation and disclosure in the consolidated financial statements.

Q West is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in the consolidated financial statements of the Group.

**(viii) Valuation of investment properties**

The Group's subsidiary 'Verdi SA' owns investment properties located in France that have been carried at fair value. In determining the fair value of these investment properties, management has obtained an 'external valuation' as at 31 December 2015 and 2014.

Also the Group owns other investment properties which have been valued using external accredited valuers.

As of 31 December 2014, the Assets of QLand predominantly comprise of investment properties, have been classified as "held for sale" and are carried at the fair value less costs to sell in the consolidated financial statements of the Group.

**(ix) 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.

**5. USE OF ESTIMATES AND JUDGMENTS (Continued)****(b) Critical accounting judgements in applying the Group's accounting policies (Continued)****(x) 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.

**(xi) Qualifying hedge relationships**

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

**6. OPERATING SEGMENTS**

The Group has four reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Chief Executive Officer reviews internal management reports on monthly basis. The following summary describes the operations in each of the Group's reportable segments.

**Corporate banking**

Includes services offered to institutional investors, corporates, small and medium enterprises, financial institutions and investment vehicles.

**Personal banking**

Includes services that are offered to individual customers through local branches of the bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.

**Group function**

Treasury, investment, finance and other central functions.

**Local & international subsidiaries**

Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the Group financial statements

Information regarding the results, assets and liabilities of each reportable segment is included below.

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

**6. OPERATING SEGMENTS (Continued)**

## Information about operating segments

	Corporate banking	Personal banking	Group function	Local & international subsidiaries	Total
<b>2015</b>					
External revenue:					
Total net income from financing and investing activities	2,057,384	1,043,592	363,480	428,063	3,892,519
Net fee and commission income	230,167	147,764	31,684	68,438	478,053
Net foreign exchange gain	-	-	79,015	3,386	82,401
Share of results of associates	-	-	35,985	(2,694)	33,291
Other income	-	-	-	22,062	22,062
Inter segment revenue	(500,361)	184,899	315,462	-	-
Profit from subsidiary held for sale	-	-	-	21,208	21,208
<b>Total segment income</b>	<b>1,787,190</b>	<b>1,376,255</b>	<b>825,626</b>	<b>540,463</b>	<b>4,529,534</b>
Staff costs, other expenses and depreciation and amortisation	(231,977)	(392,587)	(148,215)	(271,282)	(1,044,061)
Sukuk holders' share of profit	-	-	(162,322)	-	(162,322)
Net return to unrestricted investment account holders	(552,663)	(183,429)	(168,368)	(47,051)	(951,511)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(222,000)	-	(222,000)
Net impairment losses on financing assets	4,424	(77,224)	(4,464)	(27,672)	(104,936)
Other impairment losses	-	-	-	(4,033)	(4,033)
<b>Reportable segment net profit before tax</b>	<b>1,006,974</b>	<b>723,015</b>	<b>120,257</b>	<b>190,425</b>	<b>2,040,671</b>
<b>Reportable segment assets</b>	<b>67,821,062</b>	<b>17,481,758</b>	<b>36,392,838</b>	<b>5,334,846</b>	<b>127,030,504</b>
<b>Reportable segment liabilities and equity of unrestricted investment account holders</b>	<b>46,867,414</b>	<b>27,030,618</b>	<b>32,282,260</b>	<b>3,675,448</b>	<b>109,855,740</b>

**6. OPERATING SEGMENTS (Continued)****Information about operating segments (Continued)**

	Corporate banking	Personal banking	Group function	Local & international subsidiaries	Total
<b>2014</b>					
External revenue:					
Total net income from financing and investing activities	1,453,818	883,345	476,694	279,222	3,093,079
Net fee and commission income	138,439	116,930	21,385	115,225	391,979
Net foreign exchange gain	-	-	64,563	8,001	72,564
Share of results of associates	-	-	42,916	8,720	51,636
Other income	-	-	-	23,814	23,814
Inter segment revenue	(392,221)	149,229	242,992	-	-
Profit from subsidiary held for sale	-	-	-	1,999	1,999
Total segment income	<u>1,200,036</u>	<u>1,149,504</u>	<u>848,550</u>	<u>436,981</u>	<u>3,635,071</u>
Staff costs, other expenses and depreciation and amortisation	(211,856)	(402,998)	(74,664)	(230,364)	(919,882)
Sukuk holders' share of profit	-	-	(173,519)	-	(173,519)
Net return to unrestricted investment account holders	(274,091)	(212,764)	(45,759)	(31,648)	(564,262)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(150,800)	(20,639)	(171,439)
Net impairment losses on financing assets	-	-	(87,163)	(2,750)	(89,913)
Other impairment losses	-	-	(578)	(7,921)	(8,499)
Reportable segment net profit before tax	<u>714,089</u>	<u>533,742</u>	<u>316,067</u>	<u>143,659</u>	<u>1,707,557</u>
Reportable segment assets	<u>44,417,680</u>	<u>14,164,145</u>	<u>33,947,355</u>	<u>3,577,284</u>	<u>96,106,464</u>
Reportable segment liabilities and equity of unrestricted investments account holders	<u>32,913,981</u>	<u>25,261,014</u>	<u>21,581,314</u>	<u>2,178,489</u>	<u>81,934,798</u>

## Note:

Certain segment income and expenses for the year ended 31 December 2014 were reclassified in the consolidated financial statements to conform to the presentation and classification adopted in the current year.

## 7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Fair value through equity	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
<b>2015</b>					
Cash and balances with central banks	-	-	5,085,840	5,085,840	5,085,840
Due from banks	-	-	9,494,044	9,494,044	9,494,044
Financing assets	-	-	87,221,910	87,221,910	87,221,910
Investment securities:					
- Measured at fair value	856,031	885,399	-	1,741,430	1,741,430
- Measured at amortised cost	-	-	17,098,656	17,098,656	16,824,656
Other assets	-	-	603,155	603,155	603,155
	<u>856,031</u>	<u>885,399</u>	<u>119,503,605</u>	<u>121,245,035</u>	<u>120,971,035</u>
Due to banks	-	-	11,198,827	11,198,827	11,198,827
Customers' current accounts	-	-	14,193,927	14,193,927	14,193,927
Sukuk financing	-	-	5,450,820	5,450,820	5,450,820
Other liabilities	-	-	1,682,180	1,682,180	1,682,180
	-	-	<u>32,525,754</u>	<u>32,525,754</u>	<u>32,525,754</u>

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

	Fair value through equity	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
<b>2014</b>					
Cash and balances with central banks	-	-	4,933,474	4,933,474	4,933,474
Due from banks	-	-	8,931,018	8,931,018	8,931,018
Financing assets	-	-	59,681,531	59,681,531	59,681,531
Investment securities:					
- Measured at fair value	772,148	549,721	-	1,321,869	1,321,869
- Measured at amortised cost	-	-	14,632,527	14,632,527	13,989,524
Other assets	-	-	770,724	770,724	770,724
	<u>772,148</u>	<u>549,721</u>	<u>88,949,274</u>	<u>90,271,143</u>	<u>89,628,140</u>
Due to banks	-	-	8,104,212	8,104,212	8,104,212
Customers' current accounts	-	-	15,124,873	15,124,873	15,124,873
Sukuk financing	-	-	5,450,236	5,450,236	5,450,236
Other liabilities	-	-	1,756,800	1,756,800	1,756,800
	-	-	<u>30,436,121</u>	<u>30,436,121</u>	<u>30,436,121</u>

## 8. BUSINESS COMBINATION

## Acquisitions in 2014

On 1 May 2014, QIB acquired additional 10% of the voting shares of Asian Finance Bank ("AFB") for a purchase consideration of QAR 61 Million which raised the total shareholding to 60%. AFB is registered as an Islamic Bank in Malaysia and regulated by Bank Negara Malaysia. The principal business lines of AFB include corporate and retail banking.

The Bank does not have "control" over AFB as defined in IFRS 10- Consolidated Financial Statements and FAS 23 – Consolidation under AAOIFI, due to the shareholders agreement. Hence AFB continues to be accounted for as an associate under FAS 24- Investment in Associates under AAOIFI, following the equity method of accounting.

The table below sets out the share of the Group from Asian Finance Bank ("AFB"):

Group's share	31 December
	<b>2015</b>
<b>Total assets</b>	1,521,221
<b>Total liabilities</b>	1,239,524
<b>Total net assets acquired</b>	281,697
<b>Goodwill</b>	68,449

## 9. CASH AND BALANCES WITH CENTRAL BANKS

	<b>2015</b>	<b>2014</b>
Cash	<b>635,509</b>	598,459
Cash reserve with QCB (i)	<b>4,036,234</b>	2,941,094
Other balances with QCB	<b>164,169</b>	1,275,397
Balances with other central banks	<b>249,928</b>	118,524
	<b><u>5,085,840</u></b>	<b><u>4,933,474</u></b>

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

## 10. DUE FROM BANKS

	<b>2015</b>	<b>2014</b>
Commodity Murabaha receivable	<b>3,104,200</b>	5,095,462
Wakala placements	<b>4,784,390</b>	3,441,947
Mudaraba placements	<b>483,529</b>	167,666
Current accounts	<b>1,127,333</b>	229,145
Deferred profit	<b>(5,408)</b>	(3,202)
	<b><u>9,494,044</u></b>	<b><u>8,931,018</u></b>

## 11. FINANCING ASSETS

## (a) By type

	<b>2015</b>	<b>2014</b>
Murabaha	<b>62,584,057</b>	36,181,819
Musawama	<b>15,146,418</b>	13,767,973
Ijarah Muntahia Bittamleek	<b>18,984,693</b>	14,839,056
Istisna'a	<b>689,751</b>	808,719
Mudaraba	<b>627,970</b>	472,427
Others	<b>376,433</b>	569,057
<b>Total financing assets</b>	<b><u>98,409,322</u></b>	<b><u>66,639,051</u></b>
Less: Deferred profit	<b>10,542,027</b>	6,399,267
Specific impairment of financing assets	<b>552,975</b>	514,849
Collective impairment of financing assets	<b>26,978</b>	-
Suspended profit	<b>65,432</b>	43,404
<b>Net financing assets</b>	<b><u>87,221,910</u></b>	<b><u>59,681,531</u></b>

The impaired financing assets net of deferred profit amounted to QAR 572 million as at 31 December 2015 representing 0.7% of the total financing assets net of deferred profit (31 December 2014: QAR 550 million, representing 0.9% of the total financing assets net of deferred profit).

Impairment distribution by nature of the customer is as follow:

	<b>2015</b>	<b>2014</b>
Corporate	<b>146,203</b>	138,876
Retail and others	<b>433,750</b>	375,973
	<b><u>579,953</u></b>	<b><u>514,849</u></b>

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

	<b>2015</b>	<b>2014</b>
Balance at 1 January	<b>514,849</b>	425,317
Provisions provided during the year	<b>240,374</b>	218,920
Recoveries during the year	<b>(135,438)</b>	(129,007)
Written off during the year	<b>(11,836)</b>	(760)
Adjustments	<b>(27,996)</b>	379
<b>Balance at 31 December</b>	<b><u>579,953</u></b>	<b><u>514,849</u></b>

**11. FINANCING ASSETS (Continued)****(c) Movement in the impairment of financing assets - sector wise:**

	Corporates	SMEs	Retail	Real Estate Mortgages	Total
<b>2015</b>					
Balance at 1 January 2015	138,876	5,758	306,495	63,720	514,849
Provisions provided during the year	69,728	4,316	161,832	4,498	240,374
Recoveries during the year	(33,215)	(3,575)	(69,672)	(28,976)	(135,438)
Written off during the year	(221)	(243)	(2,015)	(9,357)	(11,836)
Adjustments	(28,965)	(881)	(4,561)	6,411	(27,996)
<b>Balance at 31 December 2015</b>	<b>146,203</b>	<b>5,375</b>	<b>392,079</b>	<b>36,296</b>	<b>579,953</b>

	Corporates	SMEs	Retail	Real Estate Mortgages	Total
<b>2014</b>					
Balance at 1 January 2014	112,705	7,746	204,473	100,393	425,317
Provisions provided during the year	58,151	2,330	140,261	18,178	218,920
Recoveries during the year	(32,570)	(4,318)	(37,479)	(54,640)	(129,007)
Written off during the year	-	-	(760)	-	(760)
Adjustments	590	-	-	(211)	379
Balance at 31 December 2014	138,876	5,758	306,495	63,720	514,849

**11. FINANCING ASSETS (Continued)****(d) By sector**

	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
<b>2015</b>							
Government and related entities	6,330,882	-	-	-	-	74	6,330,956
Non-banking financial institutions	7,155,410	-	-	-	-	36,444	7,191,854
Industry	4,290,079	52,688	1,892,119	2,322	-	2,190	6,239,398
Commercial	13,714,010	394,544	363,034	4,607	13,879	34,201	14,524,275
Services	7,389,700	893,920	-	4,120	-	7,758	8,295,498
Contracting	2,050,132	305,149	16,179	6,920	569,321	6,366	2,954,067
Real estate	5,016,051	156,352	16,713,361	671,782	-	45,564	22,603,110
Personal	14,099,560	13,274,907	-	-	2,878	147,026	27,524,371
Others	2,538,233	68,858	-	-	41,892	96,810	2,745,793
Total financing assets	<u>62,584,057</u>	<u>15,146,418</u>	<u>18,984,693</u>	<u>689,751</u>	<u>627,970</u>	<u>376,433</u>	<u>98,409,322</u>
Less: Deferred profit							10,542,027
Provision for impairment of financing assets							552,975
Collective impairment of financing assets							26,978
Suspended profit							65,432
<b>Net financing assets</b>							<u>87,221,910</u>

Note:

Details of financing assets related to Sukuk backed assets issued during 2012 and 2015 are disclosed in Note 21 to the consolidated financial statements.

**11. FINANCING ASSETS (Continued)****(d) By sector (Continued)**

	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
<b>2014</b>							
Government and related entities	5,549,418	-	-	-	-	38	5,549,456
Non-banking financial institutions	2,309,416	108	122,583	-	21,841	3	2,453,951
Industry	3,205,939	73,720	1,342,938	1,748	5,818	145,206	4,775,369
Commercial	8,321,092	301,648	373,723	5,188	3,546	50,316	9,055,513
Services	9,560,088	1,051,100	149,496	6,499	25,150	8,592	10,800,925
Contracting	2,098,774	195,439	3,587	24,853	416,072	8,068	2,746,793
Real estate	2,458,421	123,835	12,688,919	770,431	-	3,843	16,045,449
Personal	1,743,688	11,152,049	-	-	-	132,493	13,028,230
Others	934,983	870,074	157,810	-	-	220,498	2,183,365
Total financing assets	<u>36,181,819</u>	<u>13,767,973</u>	<u>14,839,056</u>	<u>808,719</u>	<u>472,427</u>	<u>569,057</u>	<u>66,639,051</u>
Less: Deferred profit							6,399,267
Provision for impairment of financing assets							514,849
Suspended profit							43,404
Net financing assets							<u>59,681,531</u>

## 12. INVESTMENT SECURITIES

	2015			2014		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
• equity-type investments	4,357	771,354	775,711	-	448,902	448,902
• debt-type investments						
- Fixed rate	109,688	-	109,688	100,819	-	100,819
	<u>114,045</u>	<u>771,354</u>	<u>885,399</u>	<u>100,819</u>	<u>448,902</u>	<u>549,721</u>
Debt-type investments classified at amortised cost (i)						
- State of Qatar Sukuk and QCB Murabaha	1,686,441	12,701,835	14,388,276	1,113,440	11,327,321	12,440,761
- Fixed rate	2,424,259	145,846	2,570,105	1,893,777	161,809	2,055,586
- Floating rate	131,175	9,100	140,275	136,180	-	136,180
	<u>4,241,875</u>	<u>12,856,781</u>	<u>17,098,656</u>	<u>3,143,397</u>	<u>11,489,130</u>	<u>14,632,527</u>
Equity-type investments classified as fair value through equity	255,575	600,456	856,031	222,899	549,249	772,148
	<u>4,611,495</u>	<u>14,228,591</u>	<u>18,840,086</u>	<u>3,467,115</u>	<u>12,487,281</u>	<u>15,954,396</u>

## Notes:

(i) The fair value of the investments carried at amortised costs as at 31 December 2015 amounted to QAR 16,824 Million (2014: QAR 13,989 Million).

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

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

	2015	2014
Balance at 1 January	859,589	847,484
Charge during the year	222,000	171,439
Reversals/adjustments during the year	(151,720)	(159,334)
<b>Balance at 31 December</b>	<u>929,869</u>	<u>859,589</u>

## Note:

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.

## 13. INVESTMENT IN ASSOCIATES

	2015	2014
Balance at 1 January	966,777	741,660
Foreign currency translation and other movements	14,138	12,203
Investments acquired during the year	59,163	180,878
Share of results	33,291	51,636
Cash dividend	(25,500)	(19,600)
<b>Balance at 31 December</b>	<u>1,047,869</u>	<u>966,777</u>

## 13. INVESTMENT IN ASSOCIATES (Continued)

Name of the Company	Country of Incorporation	Company's Activities	Ownership %	
			2015	2014
Al Jazeera Finance Company (Q.P.S.C)	Qatar	Financing	30.00%	30.00%
Al Daman Islamic Insurance	Qatar	Insurance	25.00%	25.00%
Retaj Marketing and Project Management	Qatar	Real Estate	20.00%	20.00%
Retaj Hotels and Hospitality W.L.L.	Qatar	Real Estate	20.00%	20.00%
Retaj Real Estate W.L.L.	Qatar	Real Estate	20.00%	20.00%
Retaj Hotels and Hospitality W.L.L Istanbul	Qatar	Real Estate	20.00%	20.00%
Panmure Gordon & Co. PLC	United Kingdom	Brokerage	43.70%	43.70%
Ambit Corporate Finance	India	Financial Service	29.90%	29.90%
QIT DF Hold Co	Netherland	Investment Co.	27.90%	-
Asian Finance Bank Berhad	Malaysia	Banking	60%	60%

The financial position, revenue and result of associates based on its financial statements, as at and for the year ended 31 December 2015 and 2014 are as follows:

31 December 2015	Al Jazeera	Al Daman	Retaj	Panmure Gordon	Ambit Corporate Finance	QIT DF Hold Co	Asian Finance Bank
Total assets	<u>1,368,563</u>	<u>839,655</u>	<u>237,244</u>	<u>266,849</u>	<u>382,365</u>	<u>360,608</u>	<u>1,521,221</u>
Total liabilities	<u>466,565</u>	<u>561,791</u>	<u>90,353</u>	<u>99,003</u>	<u>64,223</u>	<u>3,196</u>	<u>2,065,873</u>
Total revenue	<u>73,245</u>	<u>46,754</u>	<u>296,202</u>	<u>127,698</u>	<u>64,561</u>	<u>848</u>	<u>28,916</u>
Net profit	<u>35,832</u>	<u>32,279</u>	<u>34,041</u>	<u>(18,524)</u>	<u>12,410</u>	<u>768</u>	<u>4,715</u>
Share of profit	<u>15,724</u>	<u>15,594</u>	<u>2,680</u>	<u>(8,594)</u>	<u>3,038</u>	<u>182</u>	<u>4,667</u>

31 December 2014	Al Jazeera	Al Daman	Retaj	Panmure Gordon	Ambit Corporate Finance	Asian Finance Bank
Total assets	<u>1,250,720</u>	<u>662,922</u>	<u>270,110</u>	<u>300,962</u>	<u>327,932</u>	<u>3,529,786</u>
Total liabilities	<u>355,612</u>	<u>412,442</u>	<u>120,039</u>	<u>113,616</u>	<u>125,862</u>	<u>2,988,831</u>
Total revenue	<u>149,788</u>	<u>14,572</u>	<u>310,491</u>	<u>172,082</u>	<u>51,575</u>	<u>48,336</u>
Net profit	<u>79,485</u>	<u>9,598</u>	<u>43,598</u>	<u>7,082</u>	<u>22,671</u>	<u>14,095</u>
Share of profit	<u>24,835</u>	<u>4,288</u>	<u>7,133</u>	<u>1,587</u>	<u>-</u>	<u>13,793</u>

## Notes:

• Panmure Gordon & Co. PLC is listed on the Alternative Investment Market (AIM) in the UK. The closing share price of Panmure Gordon was QAR 362 as at 31 December 2015 (31 December 2014: QAR 729) having fair value of QAR 36 Million. (31 December 2014: QAR 49 Million). The other associate companies are not listed in any stock market.

• The financial statements for the four entities of Retaj have been presented together.

**14. INVESTMENT PROPERTIES**

	2015	2014
Balance at 1 January	1,216,420	792,533
Disposals	(100,659)	(265,655)
Addition	1,254	765,760
Changes in fair value	(5,708)	(24,524)
Exchange rate revaluation	(56,126)	(38,716)
Net transfers from fixed assets (Note 16)	-	(12,978)
<b>Balance at 31 December</b>	<b>1,055,181</b>	<b>1,216,420</b>

Note:

The investment properties are held either to earn rental income or for capital appreciation.

**15. ASSETS OF A SUBSIDIARY AND LIABILITIES DIRECTLY ASSOCIATED WITH SUCH ASSETS CLASSIFIED AS HELD FOR SALE**

	2015	2014
<b>Assets</b>		
Cash and cash equivalents	786	37,582
Other assets	3,674	23,779
<b>Total assets</b>	<b>4,460</b>	<b>61,361</b>
<b>Liability</b>		
Other liabilities	3,399	18,688
<b>Total liabilities</b>	<b>3,399</b>	<b>18,688</b>
<b>Profit for the year</b>	<b>21,208</b>	<b>1,999</b>

Notes:

- (i) During 2014, QInvest LLC has classified all the assets and liabilities of its 100% owned subsidiary "QWest S.A.S.", a limited liability company incorporated under the laws of France, as held for sale. QInvest's subsidiary 'QWest S.A.S.' owns equity investment in a company listed on the Stock Exchange of France. During the year 2015, most of the shares owned by QWest S.A.S. have been disposed, the management of QInvest LLC is still committed to dispose the remaining shares owned by the entity in 2016 and to sell/liquidate the entity.

- (ii) During the year 2013, QInvest LLC entered into a Murabaha agreement with Q Land Real Estate SPC ("Q Land") that held the legal ownership of leased properties (the "properties"). Under the terms of a commodity Murabaha agreement (without transfer of the legal ownership of the properties), QInvest provided a financing of US\$ 79.6 Million (QAR 290 Million) to Q Land. In addition to fixed return on Murabaha, QInvest was entitled to 100% of any additional proceeds from the properties. The Murabaha was secured by a mortgage over the properties and an assignment of the lease proceeds to QInvest. In addition and despite the fact that QInvest was not a direct or indirect shareholder in Q Land Real Estate SPC, it had been granted several controlling rights over Q Land Real Estate SPC under an irrevocable power of attorney granted in favor of QInvest for managing, disposing, renting etc. the properties and the Articles of Association of Q Land Real Estate SPC which prohibited Q Land Real Estate SPC from including, but not limited to, disposing of or providing mortgage over any of Q Land Real Estate SPC's assets, appointing and removing Q Land Real Estate SPC's directors, liquidating or dissolving Q Land Real Estate SPC, obtaining any loans from financial institutions and providing any covenants or security in this regard, etc. without the prior written approval of QInvest.

QInvest has considered all relevant facts and circumstances in assessing whether it has power over an investee and concluded that it had the right of variable returns arising from Q Land Real Estate SPC and had the ability to use its power to affect these returns. Therefore, Q Land Real Estate SPC was consolidated in QInvest's consolidated financial statements. Q Land Real Estate SPC was classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in the consolidated financial statements of the Group.

During 2014, the properties of Q Land were sold at a profit. Accordingly, Murabaha of QInvest was repaid along with the fixed returns. Proceeds left in Q Land after repayment of all liabilities were paid to QInvest under the terms of the agreement as mentioned above.

**16. FIXED ASSETS**

	Land and buildings	IT equipments	Fixtures and fittings	Motor vehicles	Work in progress	Total
<b>Cost:</b>						
Balance at 1 January 2015	469,897	147,339	226,876	6,339	46,267	896,718
Additions	-	10,912	48,582	252	12,660	72,406
Disposals	-	-	(93)	-	-	(93)
<b>Balance at 31 December 2015</b>	<b>469,897</b>	<b>158,251</b>	<b>275,365</b>	<b>6,591</b>	<b>58,927</b>	<b>969,031</b>
Balance at 1 January 2014	376,273	140,204	205,369	6,729	35,174	763,749
Additions	80,646	8,522	22,341	63	46,337	157,909
Net transfers to investment properties (Note 14)	12,978	-	-	-	-	12,978
Disposals	-	(1,387)	(834)	(453)	(35,244)	(37,918)
Balance at 31 December 2014	469,897	147,339	226,876	6,339	46,267	896,718
<b>Accumulated depreciation:</b>						
Balance at 1 January 2015	72,478	111,790	152,518	4,981	-	341,767
Depreciation charged during the year	7,218	15,585	28,730	399	-	51,932
Disposals	-	-	(70)	-	-	(70)
<b>Balance at 31 December 2015</b>	<b>79,696</b>	<b>127,375</b>	<b>181,178</b>	<b>5,380</b>	<b>-</b>	<b>393,629</b>
Balance at 1 January 2014	66,187	93,812	127,393	5,002	-	292,394
Depreciation charged during the year	6,291	19,314	25,832	432	-	51,869
Disposals	-	(1,336)	(707)	(453)	-	(2,496)
Balance at 31 December 2014	72,478	111,790	152,518	4,981	-	341,767
<b>Carrying amounts:</b>						
Balance at 1 January 2014	310,086	46,392	77,976	1,727	35,174	471,355
Balance at 31 December 2014	397,419	35,549	74,358	1,358	46,267	554,951
<b>Balance at 31 December 2015</b>	<b>390,201</b>	<b>30,876</b>	<b>94,187</b>	<b>1,211</b>	<b>58,927</b>	<b>575,402</b>

**17. INTANGIBLE ASSETS**

	Goodwill	Trade marks	Software	Work in Progress	Total
Balance at 1 January 2015	239,026	671	66,892	68,406	374,995
Additions	-	1,452	8,921	48,735	59,108
Amortisation during the year	-	(248)	(23,245)	-	(23,493)
<b>Balance at 31 December 2015</b>	<b>239,026</b>	<b>1,875</b>	<b>52,568</b>	<b>117,141</b>	<b>410,610</b>
Balance at 1 January 2014	252,178	691	65,950	26,756	345,575
Additions	870	237	22,404	41,650	65,161
Amortisation during the year	-	(257)	(21,462)	-	(21,719)
Adjustments	(14,022)	-	-	-	(14,022)
Balance at 31 December 2014	239,026	671	66,892	68,406	374,995

**QInvest**

Goodwill acquired through the step acquisition of QInvest L.L.C has been allocated to one CGU, which is the investment banking. An impairment testing of the goodwill was undertaken by management as at 31 December 2015. The recoverable amount of the investment in QInvest was determined using the dividend discount method.

**Key assumptions used in the valuation**

- QInvest plans to grow its fee income over the next five years.
- QInvest plans to deploy capital from low yield short term to higher yielding investments.
- QInvest plans to continue with its success in real estate investments and growth in its asset management business.
- QInvest plans to earn income from churning of its FVTE listed equity portfolio during the forecast period.
- QInvest plans to fund its financial position growth through borrowings and partly through customer deposits.
- QInvest is planning on maintaining stability and controlling its cost base over the next five years.

The equity value based on the valuation is higher than the carrying value of the investment in QIB books.

**Arab Finance House**

Goodwill acquired through the step acquisition of Arab Finance House (AFH) has been allocated to its CGU, which is retail banking and corporate banking. An impairment testing of the goodwill was undertaken by management as at 31 December 2015. The recoverable amount of the investment in AFH was determined using the dividend discount method.

**Key assumptions used in the valuation**

- The average of the publicly listed commercial banks listed in Lebanon and small MENA banks have been considered.
- The growth rate has been estimated conservatively.
- AFH plans to fund its financial position growth primarily through customer deposits.
- AFH plans to grow its financing book and its fiduciary business over the next five years.
- AFH plans will continue to control its cost base over the next five years and manage its cost to income ratio effectively.

The equity value based on an implied price to book ratio compares favorably to the carrying value of the investment in QIB books.

**18. OTHER ASSETS**

	Note	2015	2014
Accrued profit		247,389	288,206
Projects under development		63,667	77,702
Repossessed collateral (i)		63,343	63,226
Derivative financial instruments	18.1	188,716	106,994
Deferred tax assets		17,205	18,073
Prepayments and advances		104,544	221,667
Others (ii)		2,610,238	2,655,673
		<b>3,295,102</b>	<b>3,431,541</b>

### 18.1 Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are not indicative of the Group's exposure to credit risk, which is generally limited to the positive or negative fair value of the derivatives. Derivative contracts are Shari'a compliant and were approved by the Shari'a Supervisory Board of the Group.

	2015			2014		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
<b>a) Derivatives held as cash flow hedges:</b>						
Currency option	-	-	-	455	-	54,600
Forward foreign exchange contracts	87,002	-	22,132,996	34,259	-	6,945,980
	<u>87,002</u>	<u>-</u>	<u>22,132,996</u>	<u>34,714</u>	<u>-</u>	<u>7,000,580</u>
<b>b) Derivatives held as hedge of net investment in foreign operation</b>						
Forward foreign exchange contracts	6,516	3,884	721,219	34,777	-	811,727
<b>c) Derivatives held as fair value hedges</b>						
Cross currency profit rate swaps	94,612	14,236	1,754,849	37,503	7,207	259,321
Forward foreign exchange contracts	586	-	89,646	-	-	-
	<u>95,198</u>	<u>14,236</u>	<u>1,844,495</u>	<u>37,503</u>	<u>7,207</u>	<u>259,321</u>
	<u>188,716</u>	<u>18,120</u>	<u>24,698,710</u>	<u>106,994</u>	<u>7,207</u>	<u>8,071,628</u>

Notes:

(i) This represents the net value of the property acquired in settlement of financing assets which is stated at its acquisition value less impairment allowance. The estimated market values of this property as at 31 December 2015 amounted to QAR 92 million (2014: QAR 71 million).

(ii) Others include properties under development of a subsidiary company amounting to QAR 2,597,731 (2014: QAR 2,422,170).



**23. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS**

	2015	2014
Unrestricted investment account holders balance before share of profit	76,822,914	51,225,111
Add: Profits for unrestricted investment account holders for the year (a)	951,511	564,262
Less: Profit paid during the year	<u>(464,423)</u>	<u>(314,954)</u>
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	<u>77,310,002</u>	<u>51,474,419</u>
By type:	2015	2014
Term accounts	61,919,597	38,182,379
Saving accounts	11,834,898	10,299,195
Call accounts	<u>3,555,507</u>	<u>2,992,845</u>
<b>Total (b)</b>	<u>77,310,002</u>	<u>51,474,419</u>
By sector:		
Retail	22,065,362	18,524,559
Corporate	23,510,056	12,038,298
Non-banking financial institution	15,199,318	8,939,765
Government	13,402,575	10,433,062
Banks	<u>3,132,691</u>	<u>1,538,735</u>
<b>Total (b)</b>	<u>77,310,002</u>	<u>51,474,419</u>
	2015	2014
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	77,310,002	51,474,419
Share in fair value reserve	<u>16,585</u>	<u>5,570</u>
Total unrestricted investment account holders balance	<u>77,326,587</u>	<u>51,479,989</u>
	2015	2014
Share of unrestricted investment account holders' of the profit for the year	1,970,530	1,061,492
Less: Mudarib share	<u>(1,019,019)</u>	<u>(497,230)</u>
Total profit distributed to investment account holders for the year (a)	<u>951,511</u>	<u>564,262</u>

**24. EQUITY****(a) Share capital**

	2015	2014
At 1 January	<u>2,362,932</u>	<u>2,362,932</u>
<b>At 31 December</b>	<u>2,362,932</u>	<u>2,362,932</u>

At 31 December 2015 the authorised and issued share capital comprised of 236 Million ordinary shares (2014: 236 Million ordinary shares), having a par value of QAR 10 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Bank.

**(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 as the legal reserve equal more than 100% of the paid up share capital.

**(c) Risk reserve**

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5 % of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount transferred to the risk reserve amounted to QAR 623.8 million (2014: QAR 284.6 Million).

**(d) General reserve**

In accordance with the Articles of Association of the Bank, the General Assembly may transfer a portion of the net profits to the general reserve which could be based on the General Assembly Resolution as per recommendation from Board of Directors and after the approval from Qatar Central Bank.

**24. EQUITY (Continued)****(e) Fair value reserve**

2015	Net movement during the year
Opening balance	93,199
Changes in Fair Value of Cash Flow Hedges	3,940
Investments carried as fair value through equity:	
Movement in fair value through fair value reserve	57,231
Plus: Share of equity of unrestricted investment account holders	5,062
Revaluation of investment properties:	
Movement in investment property fair value	(3,772)
Less: Share of equity to unrestricted investment account holders	(21,647)
	<b>134,013</b>
2014	Net movement during the year
Opening balance	94,896
Investments carried as fair value through equity:	
Movement in fair value through fair value reserve	28,397
Plus: Share of equity of unrestricted investment account holders	19,066
Revaluation of investment properties:	
Movement in investment property fair value	(24,524)
Less: Share of equity to unrestricted investment account holders	(24,636)
	<b>93,199</b>

**(f) Foreign currency translation reserve**

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

**(g) Other reserves**

Other reserves represent the Group's share in the undistributed profit from investments in associate companies after deducting the received dividends. During the year QAR Nil was transferred to other reserves from retained earnings (2014: QAR 4.8 million was transferred to other reserves from retained earnings).

**(h) Proposed cash dividends**

The Board of Directors has proposed a cash dividend of 42.5% of the paid up share capital amounting to QAR 1,004 Million – QAR 4.25 per share (2014: 42.5% of the paid up share capital amounting to QAR 1,004 Million – QAR 4.25 per share) which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

**(i) Share-based payment reserve**

During 2015, "Employee Share Option Plan" (ESOP) was approved by QInvest LLC, subsidiary of the Bank, for its key employees. Under the plan, 37.5 Million share options were approved with ratio of 1 option: 1 share. The exercise price of the option will be US\$ 1 (QAR 3.64) per share. The options vest as per following schedule:

- 50% of options immediately prior to listing date
- 25% of options 12 months after listing date
- 25% of options 24 months after listing date

Options must be exercised within 24 months of vesting date (or will otherwise lapse). Options will expire 5 years after the grant date if no listing has happened.

For the year ended 2015, the Group has recognised QAR 12 Million as share-based payment expense in the statement of income (2014: Nil).

**25. SUKUK ELIGIBLE AS ADDITIONAL CAPITAL**

During 2015, the Group issued perpetual sukuk eligible as additional capital for an amount of QAR 2 Billion. The sukuk is unsecured and the profit distributions are discretionary, non-cumulative and payable annually at an agreed expected profit rate of 5% to be reset every sixth year. The Group has the right not to pay profit and the sukuk holders has no right to claim profit on the sukuk. The sukuk do not have a maturity date and have been classified as equity.

**26. NON-CONTROLLING INTERESTS**

This represents the Group's non-controlling interests in QInvest LLC, QIB (UK), Aqar Real Estate Development & Investment, Arab Finance House and Durat Al Doha Real Estate Investment & Development Company.

**27. NET INCOME FROM FINANCING ACTIVITIES**

	2015	2014
Murabaha	1,619,825	1,084,368
Musawama	857,019	771,780
Ijarah Muntahia Bittamleek	666,745	528,023
Istisna'a	28,753	39,382
Mudaraba	22,499	17,797
Others	6,417	2,917
	<b>3,201,258</b>	<b>2,444,267</b>

**28. NET INCOME FROM INVESTING ACTIVITIES**

	2015	2014
Income from investment in debt-type instruments	476,269	445,396
Loss on sale of equity-type investments	(4,820)	(16,055)
Net income of inter-bank placements with/from Islamic banks	3,524	53,708
Net gain on sale of debt-type investments	4,485	11,465
Net gain on investment properties	132,322	121,209
Fair value gain on investment securities carried as fair value through income statement	24,247	10,980
Rental income from investment properties	36,080	11,573
Dividend income	19,154	10,536
	<b>691,261</b>	<b>648,812</b>

**29. NET FEE AND COMMISSION INCOME**

	2015	2014
Management fees	178,994	82,031
Fees on letters of credit and guarantees	77,085	73,945
Banking services fees	222,368	183,794
Advisory fees	43,084	85,192
Others	64,229	54,943
	<b>585,760</b>	<b>479,905</b>
Fee and commission expense	(107,707)	(87,926)
Net fee and commission income	<b>478,053</b>	<b>391,979</b>

**30. NET FOREIGN EXCHANGE GAIN**

	2015	2014
Dealing in foreign currencies	10,113	26,874
Revaluation of assets and liabilities	72,288	45,690
	<b>82,401</b>	<b>72,564</b>

**31. STAFF COSTS**

	2015	2014
Salaries and other benefits	570,175	498,362
Staff pension fund costs	8,503	6,321
Staff indemnity costs (Note 22)	41,988	30,541
	<b>620,666</b>	<b>535,224</b>

**32. OTHER EXPENSES**

	2015	2014
Legal and professional fees	32,455	29,084
Rent	48,646	44,029
Service expenses	51,632	51,477
Board of Directors' remuneration	18,000	18,000
IT expenses	58,532	40,068
Advertising and marketing expenses	32,267	26,205
Communication and utilities	35,505	36,264
Subscription fees	5,296	7,558
Repairs and maintenance	5,749	5,481
Insurance costs	5,291	3,350
Other expenses	54,597	49,554
	<b>347,970</b>	<b>311,070</b>

**33. TAX EXPENSE**

	2015	2014
<b>Current tax expense</b>		
Current year	<u>10,331</u>	<u>20,354</u>
	<b>10,331</b>	<b>20,354</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	<u>-</u>	<u>18,654</u>
	<u>-</u>	<u>18,654</u>
<b>Total tax expense</b>	<u><b>10,331</b></u>	<u><b>39,008</b></u>

**Unutilised financing facilities**

Commitments to extend credit represent contractual commitments to make financings and revolving financing. The majority of these will 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.

**34. CONTINGENT LIABILITIES AND COMMITMENTS**

	2015	2014
<b>a) Contingent liabilities</b>		
Unutilised financing facilities	<b>8,758,508</b>	6,456,492
Acceptances	<b>293,478</b>	533,329
Guarantees	<b>11,036,519</b>	8,640,208
Letters of credit	<u><b>1,929,350</b></u>	<u>1,623,905</u>
	<u><b>22,017,855</b></u>	<u>17,253,934</u>
<b>b) Commitments</b>		
Investment commitment	<b>191,979</b>	118,526
Forward foreign exchange contracts	<b>22,943,861</b>	7,757,707
Cross currency profit swap	<b>1,754,849</b>	259,321
Currency option	<u>-</u>	<u>54,600</u>
	<u><b>24,890,689</b></u>	<u>8,190,154</u>
<b>Total</b>	<u><b>46,908,544</b></u>	<u><b>25,444,088</b></u>

**c) Lease commitments**

Operating lease rentals are payable as follows:

	2015	2014
Within one year	<b>18,059</b>	14,654
After one year but not more than five years	<b>76,914</b>	23,996
More than five years	<u><b>117,374</b></u>	<u>104,852</u>
	<u><b>212,347</b></u>	<u>143,502</u>

### 35. 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:

	Qatar	Other GCC	Europe	North America	Others	Total
<b>2015</b>						
<b>Assets</b>						
Cash and balances with central banks	4,815,000	-	2,808	-	268,032	5,085,840
Due from banks	5,850,965	1,989,975	151,167	193,148	1,308,789	9,494,044
Financing assets	77,200,563	2,703,673	5,594,952	396,045	1,326,677	87,221,910
Investment securities	15,164,621	1,378,202	647,859	562,859	1,086,545	18,840,086
Investment in associates	415,554	-	75,404	-	556,911	1,047,869
Investment properties	512,583	-	542,598	-	-	1,055,181
Assets of a subsidiary held for sale	-	-	4,460	-	-	4,460
Fixed assets	426,082	9	87,510	-	61,801	575,402
Intangible assets	385,572	106	1,589	-	23,343	410,610
Other assets	3,021,520	91,849	122,623	4,771	54,339	3,295,102
<b>Total assets</b>	<b>107,792,460</b>	<b>6,163,814</b>	<b>7,230,970</b>	<b>1,156,823</b>	<b>4,686,437</b>	<b>127,030,504</b>
<b>Liabilities and equity of unrestricted investment account holders</b>						
<b>Liabilities</b>						
Due to banks	4,188,001	6,067,727	781,531	-	161,568	11,198,827
Customers' current accounts	13,969,020	1,929	340	190	222,448	14,193,927
Sukuk financing	5,450,820	-	-	-	-	5,450,820
Liabilities of a subsidiary held for sale	-	-	3,399	-	-	3,399
Other liabilities	1,366,111	23,084	61,144	4,646	227,195	1,682,180
<b>Total liabilities</b>	<b>24,973,952</b>	<b>6,092,740</b>	<b>846,414</b>	<b>4,836</b>	<b>611,211</b>	<b>32,529,153</b>
<b>Equity of unrestricted investment account holders</b>	<b>58,056,479</b>	<b>18,305,899</b>	<b>645,637</b>	<b>249,367</b>	<b>69,205</b>	<b>77,326,587</b>
<b>Total liabilities and equity of unrestricted investment account holders</b>	<b>83,030,431</b>	<b>24,398,639</b>	<b>1,492,051</b>	<b>254,203</b>	<b>680,416</b>	<b>109,855,740</b>

**35. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (Continued)**

	Qatar	Other GCC	Europe	North America	Others	Total
2014						
Assets						
Cash and balances with central banks	4,748,754	-	-	-	184,720	4,933,474
Due from banks	3,908,879	3,807,300	324,076	5,568	885,195	8,931,018
Financing assets	56,287,095	1,264,550	1,328,577	-	801,309	59,681,531
Investment securities	12,808,365	1,086,710	1,124,948	196,382	737,991	15,954,396
Investment in associates	410,678	-	209,478	-	346,621	966,777
Investment properties	617,015	-	599,405	-	-	1,216,420
Assets of a subsidiary held for sale	-	-	61,361	-	-	61,361
Fixed assets	408,878	-	82,359	-	63,714	554,951
Intangible assets	371,714	316	1,218	-	1,747	374,995
Other assets	3,060,633	101,360	88,461	4,565	176,522	3,431,541
Total assets	<u>82,622,011</u>	<u>6,260,236</u>	<u>3,819,883</u>	<u>206,515</u>	<u>3,197,819</u>	<u>96,106,464</u>
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	4,305,462	3,095,553	346,913	-	356,284	8,104,212
Customers' current accounts	14,949,160	972	12,341	-	162,400	15,124,873
Sukuk financing	5,450,236	-	-	-	-	5,450,236
Liabilities of a subsidiary held for sale	18,688	-	-	-	-	18,688
Other liabilities	1,431,335	41,729	51,232	-	232,504	1,756,800
Total liabilities	<u>26,154,881</u>	<u>3,138,254</u>	<u>410,486</u>	<u>-</u>	<u>751,188</u>	<u>30,454,809</u>
Equity of unrestricted investment account holders	<u>42,925,563</u>	<u>7,332,801</u>	<u>703,794</u>	<u>14,292</u>	<u>503,539</u>	<u>51,479,989</u>
Total liabilities and equity of unrestricted investment account holders	<u>69,080,444</u>	<u>10,471,055</u>	<u>1,114,280</u>	<u>14,292</u>	<u>1,254,727</u>	<u>81,934,798</u>

## Notes to the Consolidated Financial Statements at 31 December 2015

QAR '000s

**36. BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share

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

	2015	2014
Profit for the year attributable to the shareholders of the Bank	1,954,324	1,601,432
Weighted average number of outstanding shares	<u>236,293</u>	<u>236,293</u>
<b>Basic earnings per share (QAR)</b>	<u>8.27</u>	<u>6.78</u>

Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit for the year attributable to the shareholders of the Bank adjusted by the effect of the dilutive potential ordinary shares of the "Employee Share Option Plan" (ESOP) - that was approved by QInvest LLC "subsidiary of the Bank", by the weighted average number of ordinary shares outstanding during the year.

	2015	2014
Profit for the year attributable to the shareholders of the Bank	1,950,418	1,601,432
Weighted average number of outstanding shares	<u>236,293</u>	<u>236,293</u>
<b>Diluted earnings per share (QAR)</b>	<u>8.25</u>	<u>6.78</u>

The weighted average number of shares have been calculated as follows:

	2015	2014
Weighted average number of shares at 1 January	<u>236,293</u>	<u>236,293</u>
Weighted average number of shares at 31 December	<u>236,293</u>	<u>236,293</u>

**37. CASH AND CASH EQUIVALENTS**

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

	2015	2014
Cash and balances with central banks (excluding restricted QCB reserve account)	1,013,406	1,944,933
Due from banks	<u>8,242,031</u>	<u>7,248,018</u>
	<u>9,255,437</u>	<u>9,192,951</u>

**38. 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	Board of Directors	Others	Associate companies	Board of Directors	Others
<b>Assets:</b>						
Financing assets	441,264	881,810	1,553,726	248,843	1,232,684	1,258,243
Other assets	-	-	-	-	-	74,466
<b>Liabilities:</b>						
Other liabilities	-	-	-	-	24,243	-
<b>Equity of unrestricted investment account holders</b>	<b>38,888</b>	<b>211,904</b>	<b>156,750</b>	<b>18,101</b>	<b>370,679</b>	<b>-</b>
<b>Off balance sheet items:</b>						
Contingent liabilities, guarantees and other commitments	-	240,699	1,887	-	126,412	58,901
<b>Consolidated statement of income items:</b>						
Financing income	13,478	19,583	50,469	9,761	24,654	2,673
Profit paid on deposits	435	1,697	5,690	209	1,463	-
Others	-	-	15,602	-	-	45,522

Key management personnel compensation for the year comprised:

	2015	2014
Short term employee benefits	77,889	54,776
Other long term benefits	19,839	4,104
	<u>97,728</u>	<u>58,880</u>

**39. MATERIAL PARTLY-OWNED SUBSIDIARIES**

Financial information of subsidiaries that have material non-controlling interests are provided below:

**Proportion of equity interest held by non-controlling interests:**

Name	Country of incorporation and operation	2015	2014
Q-Invest L.L.C	Qatar	49.87%	49.87%
Aqar Real Estate Development and Investment Company W.L.L.	Qatar	51.00%	51.00%
Durat Al Doha Real Estate Investment and Development W.L.L.	Qatar	60.13%	60.13%
QIB (UK)	United Kingdom	0.57%	0.57%
Arab Finance House	Lebanon	0.007%	0.007%

**Accumulated balances of material non-controlling interest:**

	2015	2014
Total non-controlling interest in all subsidiaries	<u>1,798,323</u>	<u>1,693,668</u>

**Gain allocated to material non-controlling interest:**

	2015	2014
Total non-controlling interest in all subsidiaries	<u>76,016</u>	<u>67,117</u>

The summarised financial information relating to the non-controlling interests in these subsidiaries are provided below:

**Summarised financial information relating to the non-controlling interests in all subsidiaries:**

	2015	2014
Total assets	<u>5,106,021</u>	<u>3,525,954</u>
Total liabilities and unrestricted investment accountholders	<u>3,475,229</u>	<u>2,106,904</u>
Total revenue	<u>490,182</u>	<u>410,366</u>
Net gain / losses	<u>76,016</u>	<u>67,117</u>

**Summarised cash flow information relating to non-controlling interests for year ending:**

	2015	2014
Net cash used in operating activities	<u>(626,331)</u>	<u>(389,718)</u>
Net cash (used in) from investing activities	<u>(463,724)</u>	<u>202,615</u>
Net cash from financing activities	<u>1,010,712</u>	<u>213,859</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>(79,343)</u></b>	<b><u>26,756</u></b>

**40. ZAKAH**

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

**41. 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.

**42. SOCIAL AND SPORTS FUNDS APPROPRIATION**

The Group discharges its social responsibilities through donations to charitable causes and organizations when profits are reported. The Group have created provisions during the year of 2015 by QAR 49 million (2014: QAR 40 million) which represents 2.5% of net profit as per law No.13 for year 2008 and explanatory notes issued for 2010.

**43. COMPARATIVE FIGURES**

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

**44. STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK**

As at 31 December 2015

	2015	2014
<b>ASSETS</b>		
Cash and balances with central banks	4,814,996	4,748,753
Due from banks	8,971,045	7,980,124
Financing assets	85,993,776	59,967,538
Investment securities	19,464,787	17,153,542
Investment in associates	682,329	669,927
Investment properties	791,354	927,908
Fixed assets	414,717	396,612
Intangible assets	167,743	132,879
Other assets	487,529	551,896
<b>TOTAL ASSETS</b>	<b>121,788,276</b>	<b>92,529,179</b>
<b>LIABILITIES</b>		
Due to banks	10,401,294	8,073,932
Customers' current accounts	13,974,537	14,931,536
Sukuk financing	5,450,820	5,450,236
Other liabilities	1,371,428	1,192,649
<b>TOTAL LIABILITIES</b>	<b>31,198,079</b>	<b>29,648,353</b>
<b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>	<b>75,031,073</b>	<b>50,107,955</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	2,362,932	2,362,932
Legal reserve	6,353,459	6,353,459
Risk reserve	1,993,090	1,369,247
General reserve	79,485	79,485
Fair value reserve	36,981	23,612
Foreign currency translation reserve	(18,838)	(18,838)
Other reserves	212,058	212,058
Proposed cash dividends	1,004,246	1,004,246
Retained earnings	1,535,711	1,386,670
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>13,559,124</b>	<b>12,772,871</b>
Sukuk eligible as additional capital	2,000,000	-
<b>Total equity</b>	<b>15,559,124</b>	<b>12,772,871</b>
<b>TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>	<b>121,788,276</b>	<b>92,529,179</b>

**45. STATEMENT OF INCOME OF THE PARENT BANK**

<b>As at 31 December 2015</b>	<b>2015</b>	<b>2014</b>
Net income from financing activities	2,992,175	2,332,456
Net income from investing activities	498,025	481,400
<b>Total net income from financing and investing activities</b>	<b>3,490,200</b>	<b>2,813,856</b>
Fee and commission income	517,178	367,219
Fee and commission expense	(107,563)	(90,466)
<b>Net fee and commission income</b>	<b>409,615</b>	<b>276,753</b>
Net foreign exchange gain	79,015	64,563
Share of results of associates	35,985	42,916
<b>Total income</b>	<b>4,014,815</b>	<b>3,198,088</b>
Staff costs	(441,098)	(396,525)
Depreciation and amortisation	(62,363)	(61,634)
Sukuk holder's share of profit	(162,322)	(173,519)
Other expenses	(269,318)	(231,359)
<b>Total expenses</b>	<b>(935,101)</b>	<b>(863,037)</b>
Net impairment loss on investment securities	(222,000)	(150,800)
Net impairment loss on financing assets	(77,264)	(87,163)
Other impairment losses	-	(578)
<b>Profit for the year before return to unrestricted investment account holders</b>	<b>2,780,450</b>	<b>2,096,510</b>
Return to unrestricted investment account holders before the Bank's share as Mudarib	(1,924,689)	(1,030,045)
Bank's share as Mudarib	1,020,229	497,430
<b>Less: net return to unrestricted investment account holders</b>	<b>(904,460)</b>	<b>(532,615)</b>
<b>Profit for the year before tax</b>	<b>1,875,990</b>	<b>1,563,895</b>
<b>Profit for the year</b>	<b>1,875,990</b>	<b>1,563,895</b>

# This is Qatar

## The land of promising opportunities



### Partner with the leading Islamic Bank who knows Qatar inside out.

During the past three decades, our expertise has touched all economic sectors of Qatar and we have partnered with leading international names in turning their investment objectives into reality. Today, with our international presence, a strong domestic foundation and a commendable track record, we are now more ready than ever, to meet your business aspirations in Qatar.



المصرف

+974 4402 0888 | [www.qib.com.qa](http://www.qib.com.qa)





