CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

Subject to QCB approval

The Commercial Bank (P.S.Q.C.)

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CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The Commercial Bank (P.S.Q.C.)

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS') and the applicable provisions of Qatar Central Bank regulations ('QCB regulations').

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Impairment of loans and advances - refer to notes 3(c)(v), 4(b)(i), 4(b)(v), 5(a)(i) and 10(c) in the consolidated financial statements	How the matter was addressed in our audit
We focused on this area because: • Loans and advances are QAR 77,797 million representing 60% of the Group's total assets as at 31 December 2016, hence a material portion of the consolidated statement of financial position. The net impairment charge on loans and advances during the year was QAR 1,268 million. • The Group makes complex and subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment.	Our audit procedures in this area included, among others: • Our team used their local knowledge to assess the trends in their local credit environment and considered the likely impact on the Group's loans and advances portfolio to focus their testing on key risk areas. • For the corporate portfolio: - we tested the key controls over the credit grading and monitoring process; - we tested the governance controls over the impairment processes, including the continuous re-assessment by the Group that impairment policies remain appropriate for the risks within the Group's loans and advances portfolio; - we performed detailed credit assessments of a sample of performing and non-performing loans and advances in line with QCB regulations; - as part of our credit assessments for these selected loans and advances, we critically challenged the reasonableness of the forecast of recoverable cash flows, realization of collateral and other possible sources of repayment. We tesed the consistency of key assumptions and compared them to progress against business plans and our own understanding of the relevant industries and business environments. We also agreed them where possible to externally derived evidence. • For the retail portfolio, the impairment process is based on historical payment performance of each segment within the portfolio, adjusted for current market and economic conditions. We tested the accuracy of key variables relevant for the retail loans portfolio (e.g. year-end balances, repayment history, past-due status) and we assessed the appropriateness of the impairment calculation methodology. We evaluated whether the output is consistent with historical payment performance, and we challenged the appropriateness of the Group's adjustments to reflect current market and economic conditions. • For the collective impairment calculation, our work included testing controls over the appropriateness of the methodology and models used to calculate the charge, the process of determining key assumptions and the identification of loans to be included within the calculation. • We assessed the adequacy of the Group's disclosure in relation to impairment of loans and advances by reference to the requirements of the relevant accounting standards and QCB regulations.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

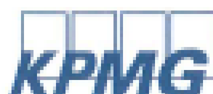
Impairment assessment of goodwill - refer notes 3(i)(i), 5(a)(ii) and 14 in the consolidated financial statements	How the matter was addressed in our audit
We focused on this area because: • As at 31 December 2016, the Group's consolidated financial statements include recognised goodwill of QAR 219 million, net of impairment, which is a material amount for the purposes of our audit, and which arose from the Bank's acquisition of its Turkish subsidiary in 2013. • An assessment is required annually to establish whether this goodwill should continue to be recognized, or if any impairment is required. The impairment assessment relies on determining the recoverable amount of the investment in the subsidiary using valuation techniques such as discounted cash flows. The estimation of future cash flows and the rate at which they are discounted is inherently uncertain and requires the use of estimates and judgments.	Our audit procedures in this area included, among others: • Testing of the Group's budgeting procedures upon which the forecasts are based. • We involved our own valuation specialists to assist us in: - evaluating the appropriateness of the methodology used by the Group to assess impairment of goodwill; - evaluating key inputs and assumptions in cash flow projections used by the Group in comparison to externally derived data as well as our own assessments of investee specific circumstances and experience in the related industry, in particular its derivation of discount rates, terminal growth rates and comparing progress against stated business plans. • Assessed whether the consolidated financial statement disclosures relating to key inputs and assumptions for goodwill impairment were appropriate. We assessed the adequacy of the Group's disclosure in relation to key inputs and assumptions for goodwill impairment by reference to the requirements of the relevant accounting standards.
Valuation of investment securities - refer to notes 3(c)(v), 5(a)(ii), 5(b)(i) and 11 in the consolidated financial statements	How the matter was addressed in our audit
We focused on this area because: • Investment securities represent QAR 15,378 million or 12% of the Group's total assets as at 31 December 2016, hence a material portion of the consolidated statement of financial position. • Of the total investment securities, a significant amount (representing 52%) comprise unquoted debt and equity securities at fair value, the measurement of which requires use of estimates and judgements.	Our audit procedures in this area included, among others: • Testing controls over the process of valuation of investment securities. • Agreeing the valuation of the quoted equity and debt securities to externally quoted prices. • For unquoted debt and equity securities, assessing the appropriateness of the valuation methodology and challenging the key underlying assumptions, such as pricing inputs and discount factors. • Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly input into the pricing models. • We assessed the adequacy of the Group's disclosure in relation to the valuation of investment securities by reference to the requirements of the relevant accounting standards and QCB regulations.

Key Audit Matters (continued)

Revaluation of land and buildings – refer to notes 3(h)(i), 5(b)(vii), 13 and 40 in the consolidated financial statements	How the matter was addressed in our audit
We focused on this area because: • At the year end, the Group changed its accounting policy for measuring the land and buildings component of its property and equipment from the cost model to the revaluation model. This resulted in a revaluation gain of QAR 1,264 million being reported in the consolidated statement of changes in equity. • The land and buildings were valued at QAR 1,986 million in the consolidated statement of financial position as at 31 December 2016, which is a material amount for the purposes of our audit. Furthermore, the valuation of land and buildings is inherently judgmental and given the change in accounting policy, this was deemed to be a focus area for our audit.	Our audit procedures in this area included, among others: • Understanding the process of determining the fair values of the Group's land and buildings and testing the internal controls thereon. • Inspecting the external reports provided by the Group and assessing whether any matters identified have a potential impact on the amounts recorded and/or the disclosures in the consolidated financial statements, including amounts or other matters specifically excluded or included in the valuation reports. • Assessing the independent external valuation specialists' competence, capabilities, and objectivity by discussing the scope of their work and reviewing their engagement for unusual terms or fee arrangements. • Using our own real estate valuation specialists to: - make inquiries of the independent external valuer to obtain an understanding of the process of developing the valuations and the source of data used in the valuations; - assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge and experience of the real estate industry. • We assessed the adequacy of the Group's disclosure in relation to key inputs and assumptions for revaluation of land and buildings by reference to the requirements of the relevant accounting standards and QCB regulations.

Other Information

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



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information (continued)

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

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

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

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have read the report of the Board of Directors to be included in the annual report, and the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015 or the terms of the Articles of Association and any amendments thereto having occurred during the year which might have had a material adverse effect on the Bank's consolidated financial position or performance as at and for the year ended 31 December 2016.

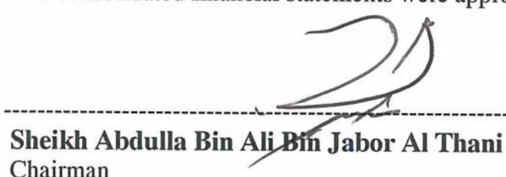
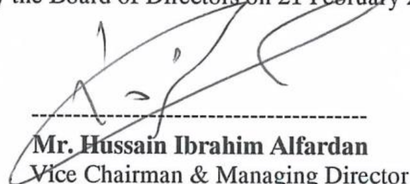
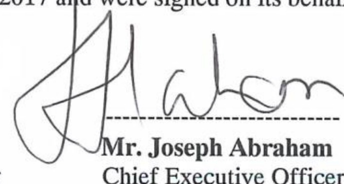
Gopal Balasubramaniam
KPMG
Audit Registration No. 251

21 February 2017
Doha
State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION **QAR '000s**

As at 31 December	Notes	2016	2015
ASSETS			
Cash and balances with central banks	8	6,420,566	5,423,592
Due from banks	9	19,302,001	15,830,943
Loans and advances to customers	10	77,797,597	76,601,549
Investment securities	11	15,377,783	15,854,241
Investment in associates and a joint arrangement	12	4,300,647	4,423,172
Property and equipment	13	2,649,235	1,345,381
Intangible assets	14	483,364	638,379
Other assets	15	4,049,093	3,303,797
TOTAL ASSETS		**130,380,286**	123,421,054
LIABILITIES			
Due to banks	16	11,634,313	12,456,035
Customer deposits	17	70,926,401	69,787,654
Debt securities	18	11,717,260	8,449,337
Other borrowings	19	10,777,242	12,074,417
Other liabilities	20	6,023,798	3,354,931
TOTAL LIABILITIES		**111,079,014**	106,122,374
EQUITY			
Share capital	21	3,266,292	3,266,292
Legal reserve	21	8,828,240	8,820,294
General reserve	21	26,500	26,500
Risk reserve	21	1,802,308	1,787,308
Fair value reserve	21	(219,815)	(70,305)
Foreign currency translation reserve	21	(1,259,807)	(804,995)
Other reserves	21	997,767	1,139,887
Other equity	39	-	(651,052)
Revaluation reserve	21 & 40	1,264,794	-
Retained earnings		594,980	1,239,526
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**15,301,259**	14,753,455
Non-controlling interests		13	545,225
Instruments eligible for additional capital	21	4,000,000	2,000,000
TOTAL EQUITY		**19,301,272**	17,298,680
TOTAL LIABILITIES AND EQUITY		**130,380,286**	123,421,054

The consolidated financial statements were approved by the Board of Directors on 21 February 2017 and were signed on its behalf by:

Sheikh Abdulla Bin Ali Bin Jabor Al Thani
Chairman

Mr. Hussain Ibrahim Alfardan
Vice Chairman & Managing Director

Mr. Joseph Abraham
Chief Executive Officer

The attached notes 1 to 42 form an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT — QAR '000s

For the year ended 31 December	Notes	2016	2015
Interest income	24	4,562,589	4,291,204
Interest expense	25	(2,221,841)	(1,756,915)
Net interest income		**2,340,748**	2,534,289
Fee and commission income	26	1,041,156	1,264,145
Fee and commission expense	27	(304,513)	(293,428)
Net fee and commission income		**736,643**	970,717
Net foreign exchange gain	28	245,314	141,406
Income from investment securities	29	163,019	104,884
Other income	30	108,521	197,862
Net operating income		**3,594,245**	3,949,158
Staff costs	31	(872,272)	(864,464)
Depreciation	13	(137,050)	(136,327)
Amortization and impairment of intangible assets	14	(104,618)	(52,562)
Impairment loss on investment securities		(76,613)	(56,355)
Net impairment loss on loans and advances to customers	10(c)	(1,267,801)	(841,836)
Other expenses	32	(588,004)	(637,373)
Profit before share of results of associates and a joint arrangement		**547,887**	1,360,241
Share of results of associates and joint arrangement	12	(46,350)	109,066
Profit before tax		**501,537**	1,469,307
Income tax expense		(158)	(35,682)
Profit for the year		**501,379**	1,433,625
Attributable to:			
Equity holders of the Bank		**500,750**	1,401,457
Non-controlling interests		629	32,168
Profit for the year		**501,379**	1,433,625
Earnings per share			
Basic/diluted earnings per share (QAR per share)	33	**0.86**	3.92

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QAR '000s

For the year ended 31 December	Notes	2016	2015
Profit for the year		**501,379**	1,433,625
Other comprehensive income for the year:			
Items that are or may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operation	22	(262,104)	(524,760)
Share of other comprehensive income of investment in associates and a joint arrangement	22	11,612	(15,452)
Net movement in fair value of available-for-sale investments	22	(173,843)	(150,286)
Items that are or may not be subsequently reclassified to profit or loss:			
Revaluation on land and buildings	22	1,264,794	-
Other comprehensive income for the year		**840,459**	(690,498)
Total comprehensive income for the year		**1,341,838**	743,127
Attributable to:			
Equity holders of the Bank		**1,341,209**	841,855
Non-controlling interests		629	(98,728)
Total comprehensive income for the year		**1,341,838**	743,127

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

The Commercial Bank (P.S.Q.C.)

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

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Other equity	Revaluation reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instruments eligible for additional capital	Total equity
Balance as at 1 January 2016		3,266,292	8,820,294	26,500	1,787,308	(70,305)	(804,995)	1,139,887	(651,052)	-	1,239,526	14,753,455	545,225	2,000,000	17,298,680
Total comprehensive income for the year															
Profit for the year		-	-	-	-	-	-	-	-	-	500,750	500,750	629	-	501,379
Other comprehensive income		-	-	-	-	(162,231)	(196,634)	-	-	1,264,794	-	905,929	(65,470)	-	840,459
Total comprehensive income for the year		-	-	-	-	(162,231)	(196,634)	-		1,264,794	500,750	1,406,679	(64,841)		1,341,838
Transfer to legal reserve	21	-	7,946	-	-	-	-	-	-		(7,946)				
Transfer to risk reserve	21	-	-	-	15,000	-	-	-	-	-	(15,000)	-	-	-	-
Net movement in other reserves and fair value reserve	21	-	-	-	-	12,721	-	(142,120)	-	-	122,265	(7,134)	-	-	(7,134)
Instruments eligible for additional capital	21	-	-	-	-	-	-	-	-	-	-	-		2,000,000	2,000,000
Dividend for Instruments eligible for additional capital											(220,000)	(220,000)	-	-	(220,000)
Social and sports fund	23	-	-	-	-	-	-	-	-	-	(12,534)	(12,534)	-	-	(12,534)
Put option on non-controlling interest	39	-	-	-	-	-	-	-	651,052		-	651,052	-	-	651,052
Transactions with equityholders of the Bank recognised directly in equity															
Contributions by and distributions to equity holders of the Bank:															
Increase in share capital of Abank		-	-	-	-	-	-	-	-		-	-	47,305	-	47,305
Dividends for the year 2015	21	-	-	-	-	-	-	-	-		(979,888)	(979,888)	-	-	(979,888)
Bonus issue	21	-	-	-	-	-	-	-	-		-	-	-	-	-
Total contributions by and distributions to equity holders of the Bank		-	-	-	-	-	-	-	-	-	(979,888)	(979,888)	47,305	-	(932,583)
Net movement in non-controlling interests	39	-	-	-	-		(258,178)	-	-		(32,193)	(290,371)	(527,676)	-	(818,047)
Balance as at 31 December 2016		**3,266,292**	**8,828,240**	**26,500**	**1,802,308**	**(219,815)**	**(1,259,807)**	**997,767**	**-**	**1,264,794**	**594,980**	**15,301,259**	**13**	**4,000,000**	**19,301,272**

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

The Commercial Bank (P.S.Q.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December **QAR '000s**

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair Value reserve	Foreign currency translation reserve	Other reserves	Other equity	Revaluation reserve	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instruments eligible for additional capital	Total equity
Balance as at 1 January 2015		2,969,356	8,820,294	26,500	1,708,632	91,003	(411,131)	1,098,090	(723,721)		1,449,313	15,028,336	667,777	2,000,000	17,696,113
Total comprehensive income for the year															
Profit for the year		-	-	-	-	-	-	-	-		1,401,457	1,401,457	32,168	-	1,433,625
Other comprehensive income		-	-	-	-	(165,738)	(393,864)	-	-		-	(559,602)	(130,896)	-	(690,498)
Total comprehensive income for the year		-	-	-	-	(165,738)	(393,864)	-			1,401,457	841,855	(98,728)		743,127
Transfer to legal reserve	21	-	-	-	-	-	-	-	-		-	-	-	-	-
Transfer to risk reserve	21	-	-	-	78,676	-	-	-	-		(78,676)	-	-	-	-
Net movement in other reserves	21	-	-	-	-	-	-	41,797	-		(41,797)	-	-	-	-
Dividend for Instruments eligible for additional capital		-	-	-	-	-	-	-	-		(120,000)	(120,000)	-	-	(120,000)
Social and sports fund	23	-	-	-	-	-	-	-	-		(35,841)	(35,841)	-	-	(35,841)
Put option on non-controlling interest	39	-	-	-	-	-	-	-	72,669		-	72,669	-	-	72,669
Transactions with equity holders of the Bank recognised directly in equity															
Contributions by and distributions to equity holders of the Bank:															
Increase in share capital		-	-	-	-	-	-	-	-		-	-	-	-	-
Dividends for the year 2014	21	-	-	-	-	-	-	-	-		(1,039,275)	(1,039,275)	-	-	(1,039,275)
Bonus issue	21	296,936	-	-	-	-	-	-	-		(296,936)	-	-	-	-
Total contributions by and distributions to equity holders of the Bank		296,936	-	-	-	-	-	-			(1,336,211)	(1,039,275)	-	-	(1,039,275)
Net movement in non-controlling interest	39	-	-	-	-	4,430	-	-	-		1,281	5,711	(23,824)	-	(18,113)
Balance as at 31 December 2015		3,266,292	8,820,294	26,500	1,787,308	(70,305)	(804,995)	1,139,887	(651,052)		1,239,526	14,753,455	545,225	2,000,000	17,298,680

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

The Commercial Bank (P.S.Q.C.)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December **QAR '000s**

	Notes	2016	2015
Cash flows from operating activities			
Profit before tax		**501,537**	1,469,307
Adjustments for:			
Net impairment loss on loans and advances to customers		1,267,801	841,836
Impairment loss on investment securities		76,613	56,355
Depreciation	13	137,050	136,327
Amortization and impairment of intangible assets and transaction costs		174,188	117,413
Loss on investment securities at fair value through profit or loss	29	6,383	1,332
Net gain on disposal of available-for-sale investments	29	(152,433)	(86,636)
Gain on disposal of property and equipment	30	(810)	(89,761)
Share of results of associates and joint arrangement	12	46,350	(109,066)
Operating profit before working capital changes		**2,056,679**	2,337,107
Working capital changes			
Change in due from banks		(1,385,806)	(696,538)
Change in loans and advances to customers		(4,938,019)	(8,875,663)
Change in other assets		(907,538)	(131,200)
Change in due to banks		(572,134)	(1,331,506)
Change in customer deposits		2,822,005	10,042,228
Change in other liabilities		2,512,556	118,430
Contribution to social and sports fund		(35,841)	(48,505)
Net cash (used in) / from operating activities		**(448,098)**	1,414,353
Cash flows from investing activities			
Acquisition of investment securities		(10,654,156)	(15,101,187)
Dividend received from associates and joint arrangement	12	79,389	117,269
Proceeds from sale/maturity of investment securities		10,564,071	10,448,006
Acquisition of property and equipment and intangible assets	13&14	(199,781)	(233,331)
Proceeds from the sale of property and equipment		4,436	125,751
Net cash (used in) investing activities		**(206,041)**	(4,643,492)
Cash flows from financing activities			
Proceeds from issue of debt securities	18	4,143,999	403,427
Repayment of debt securities	18	(178,298)	(1,399,732)
Repayment of other borrowings	19	(5,355,178)	(6,539,127)
Proceeds from other borrowings	19	4,158,709	9,819,002
Proceeds from issue of additional Tier1 note	21	2,000,000	-
Dividends paid		(979,888)	(1,039,275)
Net cash from financing activities		**3,789,344**	1,244,295
Net increase / (decrease) in cash and cash equivalents		3,135,205	(1,984,844)
Effect of exchange rate fluctuations		241,423	174,405
Cash and cash equivalents as at 1 January		10,939,238	12,749,677
Cash and cash equivalents as at 31 December	35	**14,315,866**	10,939,238
Net cash flows from operating activities:			
Interest paid		2,001,392	1,683,749
Interest received		4,432,359	4,313,970
Dividend received		16,969	19,580

The attached notes 1 to 42 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

The Commercial Bank (P.S.Q.C.) ("the Bank") is an entity domiciled in the State of Qatar and was in corporated in 1974 as a public share holding company under Emiri Decree No.73 of 1974. The commercial registration number of the Bank is 150. The address of the Bank's registered office is PO Box 3232, Doha, State of Qatar. During the year, the Bank's legal name was amended to The Commercial Bank (P.S.Q.C) in compliance of the Commercial Companies Law No.11 of 2015 and the Articles of Association Guiding Form issued by the Ministry of Economy and Commerce. The consolidated financial statements of the Bank for the year ended 31 December 2016 comprise the Bank and its subsidiaries (together referred to as "the Group"). The Group is primarily engaged in conventional banking, brokerage services and the credit card business and operates through its head office, subsidiaries and branches.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Capital	Activity	Percentage of ownership	
				2016	2015
Alternatifbank A.S. ("ABank")	Turkey	TRY620,000,000	Banking services	100%	75%
Commercial Bank Financial Services (L.L.C.)	Qatar	QAR100,000,000	Brokerage services	100%	100%
Orient1 Limited	Bermuda	US$20,000,000	Holding Company	100%	100%
Global Card Services L.L.C.	Sultanate of Oman	OMR500,000	Credit card business	100%	100%
CBQ Finance Limited	Bermuda	US$1,000	Debt issuance For the Bank	100%	100%

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of the Qatar Central Bank ("QCB") regulations.

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement of assets/liabilities within twelve months after the end of the reporting date ("current") and more than twelve months after the reporting date ("non-current") is presented in Note 4(c) (iii).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities that are measured at fair value:

- investment securities designated at fair value through income statement;
- derivatives;
- available-for-sale investments;
- land and buildings; and
- The carrying values of recognised assets and liabilities that are hedged items in quantifying fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

(c) Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in notes 3(y) and 40, 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 the Group entities.

(a) Basis of consolidation

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquire and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquired and the acquisition-date fair value of any previous equity interest in the acquired over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

(ii) Non-controlling interests (NCI)

In accordance with IFRS 3R, for each business combination, the acquirer can measure, at the acquisition date, components of NCI in the acquired that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value on the acquisition date; or

(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

NCI is measured only on initial recognition. The Group measures the NCI at fair value, including its share of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an investee if it is exposed to, 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group.

(iv) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

(v) Associates and joint arrangements

Associates and joint arrangements are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates and joint arrangements 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 associates and joint arrangement). The Group's investment in associates and joint arrangements includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

Intergroup gains on transactions between the Group and its associates and joint arrangement are eliminated to the extent of the Group's interest in the associates and joint arrangements. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Assoicates financial statements are being prepared using similar accounting policies and period end as the parent.

(vi) 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. Information about the Group's funds management is set out in Note 37.

(vii) Put option on non-controlling interests (NCI)

The fair value of the put option on the NCI is calculated as the present value of the redemption amount in accordance with IAS 32, and is recognised as a liability, regardless of the probability of exercise, as this is not within the Group's control. This put option does not affect the goodwill and NCI valuation as it is recorded separately within equity. If the put option expires without exercising, this recorded value would be reversed. Upon exercise of the option both the liability and equity balance are reversed and the NCI accordingly adjusted with a corresponding adjustment in equity

This puttable instrument on NCI relates to the acquisition of Alternatifbank A.S. ("ABank") and is recognised as a liability with the debit recognised in 'Other Equity'. Subsequent changes in the fair value are recognised through equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions and balances

Foreign currency transactions that require settlement in a foreign currency are translated into the respective functional currencies of the operations at the spot exchange rates at the date of the transactions.

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.

The gains and losses on revaluation of foreign currency non-monetary available-for-sale investments are recognised in the consolidated statement of changes in equity.

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 profit or loss.

(ii) Foreign operations

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

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

Exchange differences arising from the above process are reported in equity and NCI as 'foreign currency translation reserve". When the Group has any foreign operation that is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement 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 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 other comprehensive income, and presented in the foreign exchange translation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and advances to customers, due from / to banks, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

Financial assets

At inception a financial asset is classified in one of the following categories:

- loans and receivables (LaR);
- held to maturity (HTM);
- available-for-sale (AFS); and
- at fair value through profit or loss (FVTPL), either as: held for trading; or FVTPL on initial designation

Financial assets held for trading

A financial asset is classified as held-for-trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative, except for a derivative that is a designated and effective hedging instrument.

Financial assets designated as at FVTPL

In addition to financial assets held for trading, financial assets are classified in the FVTPL category on initial recognition, to designate such instruments as a FVTPL using the fair value option in one of the following circumstances:

When doing so results in more relevant information because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would result from measuring assets or liabilities or recognising gains or losses on them on different bases (an "accounting mismatch"); or
- a group of financial assets or liabilities (or both) is managed and its performance is evaluated on a fair value basis in accordance with the entity's document risk management or investment strategy and information is provided by key management personnel on this basis.

Financial liabilities

The Group has classified and measured its financial liabilities at amortized cost.

(iii) Derecognition

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. 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 profit or loss.

The Group enters into transactions whereby it transfers assets recognised, 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. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Measurement principles

-Amortized 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 principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate (EIR).

-Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.
The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(v) Measurement principles (continued)

-Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower 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 borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment loss for loans and advances to customers and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances to customers.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist

For listed investments, a decline in the market value from cost by 20% or more, or a decline in the market value from cost for a continuous period of 9 months or more, are considered to be indicators of impairment.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

In subsequent periods, the appreciation of fair value of previously impaired available-for-sale equity investment securities is recorded in fair value reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 original 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 include amounts due from banks and with an original maturity of 90 days or less.

(e) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to customers, cash and balances with central banks and due from banks are classified as 'loans and receivables'.

Loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(f) Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either 'held to maturity', 'fair value through profit or loss', or 'available-for-sale'.

(i) Held-to-maturity finance assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method.

(ii) Fair value through profit or loss

The Group has classified its investments as held for trading where such investments are managed for short term profit taking or designated certain investments as fair value through profit or loss. Fair value changes on these investments are recognised immediately in profit or loss.

(iii) Available-for-sale financial investments

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are transferred to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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. 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 value 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 recognized 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 profit or loss as a reclassification adjustment.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'Other gains/ (losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'Other gains/ (losses) – net'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives (continued)

(ii) Derivatives held for trading purposes

The Group's derivative trading instruments includes, forward foreign exchange contracts and interest rate swaps. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the profit or loss.

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost and subsequently at cost less accumulated depreciation and accumulated impairment losses, if any, except for land and buildings which are subsequently measured at fair value.

Revaluations of freehold land and buildings are carried out by an independent valuer. Net surpluses arising on revaluation are credited to a revaluation reserve, except that a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. A decrease as a result of a revaluation is recognised as an expense, except that it is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset. On disposal the related revaluation surplus is credited to retained earnings

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items 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 that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property or equipment 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 property and equipment are recognised in profit or loss as incurred

(iii) Depreciation

The depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Land and Capital work in progress are not depreciated.

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

Buildings	20 years
Leasehold improvements	6 - 10 years
Furniture and equipment	3 - 8 years
Motor vehicles	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of goodwill and intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Intangible assets

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

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as 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 are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

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 continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Provisions

A 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and this initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(m) Employee benefits

Defined contribution plans

The Bank 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 in staff cost in the consolidated income statement. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit plan

The Bank makes provision for end of service benefits payable to its expatriate employees on the basis of the employees' length of service in accordance with the employment policy of the Bank and the applicable provisions of the Labour Law. This provision is included in other provisions as part of other liabilities in the consolidated statement of financial position. The expected costs of these benefits are accrued over the period of employment.

ABank (the Bank's subsidiary), under Turkish Labour Law, is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary subject to a maximum threshold per employee for each year of service. There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement

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.

(n) 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 instruments.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's equity holders.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading, are recognized within 'interest income' and 'interest expense' using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(p) Fee and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(q) Income from investment securities

Gains or losses on the disposal of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

(r) Dividend income

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

(s) Income tax expenses

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. Tax is recognized based on an evaluation of the expected tax charge/credit. The Group operations inside Qatar are exempted from income tax.

(t) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer of the Bank as its chief operating decision maker.

All transactions between operating segments are conducted on an arm's length basis directly associated with each segment are included in determining operating segment performance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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.

(w) Repossessed collateral

Repossessed collaterals in settlement of customers' debts are stated under "Other assets" at carrying value of debts or fair value if lower. According to QCB instructions, the Group should dispose of any land and properties acquired in settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended with the approval of QCB.

(x) Comparatives

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2016

The following standards, amendments and interpretations, which became effective as of 1 January 2016, are relevant to the Group:

a) Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11).

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The adoption of this amendment had no significant impact on the consolidated financial statements

b) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38).

The amendment to IAS 16 prohibits entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The adoption of this amendment had no significant impact on the consolidated financial statements.

c) Equity Method in Separate Financial Statements (Amendments to IAS 27).

The IASB has made amendments to IAS 27 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates.

IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

The adoption of this amendment had no significant impact on the consolidated financial statements

d) IFRS 14 Regulatory Deferral Accounts

IFRS 14 Regulator Deferral Accounts was issued by the IASB on 30 January 2014. It provides interim guidance on accounting for regulatory deferral account balances by first-time- adopters of IFRS while the IASB considers more comprehensive guidance on accounting for effects of rate regulation.

The adoption of this standard had no significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New standards, amendments and interpretations (Continued)

e) Annual Improvements to IFRSs 2012–2014 Cycle – various standards.

The annual improvements to IFRSs to 2012-2014 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 January 2016; earlier application are permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The adoption of these amendments had no significant impact on the consolidated financial statements.

The following are the key amendments in brief:

•**IFRS 5** – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such

•**IFRS 7** – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition

•**IFRS 7** – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34

•**IAS 19** – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise

•**IAS 34** – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

f) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28).

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

• The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.

• An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

• Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

The adoption of this amendment had no significant impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New standards, amendments and interpretations (continued)

g) Disclosure Initiative (Amendments to IAS 1).

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

•**Materiality** – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.

•**Disaggregation and subtotals** – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.

•**Notes** – confirmation that the notes do not need to be presented in a particular order.

•**OCI** arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

New standards, amendments and interpretations issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however; the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

a) Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The Group has not early adopted Disclosure Initiative (Amendments to IAS 7) in its consolidated financial statements for the year ended 31 December 2016.

b) Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

The amendments are effective for annual periods beginning on or after 1January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New standards, amendments and interpretations (continued)

c) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is currently performing an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

Transition

The Group plans to adopt IFRS 15 in its consolidated financial statements for the year ending 31 December 2018, using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated financial statements.

d) IFRS 9 Financial Instruments

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

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

e) Classification and Measurement of Shared-based Payment Transactions (Amendments to IFRS 2)

Currently, there is ambiguity over how a company should account for certain types of share-based payment arrangements. The IASB has responded by publishing amendments to IFRS 2 Share-based Payment.

The amendments cover three accounting areas:

- measurement of cash-settled share-based payments;
- classification of share-based payments settled net of tax withholdings; and
- accounting for a modification of a share-based payment from cash-settled to equity-settled.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The amendments can be applied prospectively so that prior periods do not have to be restated. Retrospective, or early, application is permitted if companies have the required information. The amendments are effective for annual periods commencing on or after 1 January 2018.

The Group does not expect to have a significant impact on its consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) New standards, amendments and interpretations (continued)

f) IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard- i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of its branches. In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. The Group has not yet decided whether it will use the optional exemptions.

g) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures.

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint ventures constitute a 'business' (as defined in IFRS 3 Business Combinations).

Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture.

The effective date for these changes has now been postponed until the completion of a broader review – which the IASB hopes will result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Group does not expect to have a significant impact on its consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Group's business involves taking 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.

Financial instruments
Financial instruments comprise the Group's financial assets and liabilities. Financial assets include cash and balances with Central banks, due from banks, loans and advances, investment securities, derivative financial assets and certain other assets and financial liabilities include customer deposits, borrowings under repurchase agreements and due to banks, debt issued and other borrowed funds, derivative financial liabilities and certain other liabilities. Financial instruments also include rights and commitments included in off- balance sheet items.
Note 3(c) describes the accounting policies followed by the Group in respect of recognition and measurement of the key financial instruments and their related income and expense.
Risk management
The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations. Market risk, which includes foreign currency, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields. Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events or execution or regulatory issues.
The Group's Market Risk and Structural Risk Management policies envisage the use of interest rate derivative contracts and foreign exchange derivative contracts as part of its asset and liability management process.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk and other committees

The governance structure of the Group is headed by the Board of Directors. The Board of Directors evaluates risk involving the Chief Executive Officer and the following Board and Management Committees:

1) Board Risk Committee is responsible for all aspects of Enterprise Risk Management including but not restricted to credit risk, market risk, and operational risk. This committee sets the policy on all risk issues and maintains oversight of all Group risks through the Management Risk Committee.

2) Board Audit Committee is responsible for setting the policy on all Audit issues and maintains oversight of all Bank audit issues through the Management Audit Committee. In addition, it is also be responsible for Compliance & Anti-Money Laundering.

3) Policy, Strategy and Governance Committee is a Board committee which is responsible for all policies and strategies of the business and compliance of corporate Governance.

4) Board Executive Committee is responsible for evaluating and granting credit facilities and approval of the Group's investment activities within authorized limits per Qatar Central Bank and Board of Directors' guidelines.

5) Management Credit Committee is the third highest-level authority on all Counterparty Credit Risk Exposures, after the Board of Directors and Board Executive Committee. The Committee exercises the powers as conferred upon it by the Delegation of Authority ("DoA") for Corporate Credit as approved by the Board.

6) Management Risk Committee is the highest management authority on all risk related issues in the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.

7) Asset and Liability Committee (ALCO) is a management committee which is a decision making body for developing policies relating to Asset and Liability management. (i.e. balance sheet structure, funding, pricing, hedging, setting limits etc.) Under the overall risk management framework, ALCO is a key component of risk management within the Bank.

8) Investment Committee (IC) is the decision making committee for Cb's investment activities, with a view to optimize returns, ensuring that the investment book provides a liquidity buffer for the bank and mitigate market risk attached to the nature of targeted investment.

9) Special Assets Management (SAM) Committee is the authority for management of all Special Assets (SA) to minimize risks, prevent losses, maximize recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions.

10) Crisis Management Committee (CMC) is the authority for management of a crisis entailing, prevention, planning, testing, evaluation and maintenance to mitigate and minimize the consequences.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk is attributed to both on-balance sheet financial instruments such as loans, overdrafts, debt securities and other bills, investments, and acceptances and credit equivalent amounts related to off-balance sheet financial instruments. The Group's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the organisation, guide the day-to-day management of credit exposure and remain an integral part of the business culture. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance this strong credit culture.

(i) Credit risk measurement

Loans and advances

The Group's aim is to maintain a sound asset portfolio by enhancing its loan mix. This is being achieved through a strategy of reducing exposure to non-core client relationships while increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages, which have historically recorded very low loss rates. In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

(i) The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They combine statistical analysis along with the business relationship officers and credit risk officers assessment and are validated, where appropriate, by comparison with externally available data. Clients of the Group are segmented based on a 10 point rating scale. The Group's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

The ratings of the major rating agency are mapped to Group's rating grades based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's and Moody's ratings or their equivalents are used by Group Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Risk limit control and mitigation policies

Portfolio diversification

Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Group is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfil its payment obligations, large exposure limits have been established per credit policy following the local regulations. Limits are also in place to manage exposures to a particular country or sector. These risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary.

Collateral

In order to proactively respond to credit deterioration, the Group employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as at the reporting date. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honours its obligation but the counterparty fails to deliver the counter-value.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	2016	2015
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	5,818,300	4,767,631
Due from banks	19,302,001	15,830,943
Loans and advances to customers	77,797,597	76,601,549
Investment securities - debt	14,602,510	15,009,934
Other assets	1,636,566	1,021,251
Total as at 31 December	**119,156,974**	113,231,308
Other credit risk exposures are as follows:		
Guarantees	21,644,329	22,900,522
Letters of credit	2,505,758	3,520,761
Unutilised credit facilities	6,175,191	5,828,606
Total as at 31 December	**30,325,278**	32,249,889
	149,482,252	145,481,197

The above table represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) 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 support), as categorized by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

2016

	Qatar	**Other GCC**	**Other Middle east**	**Rest of the world**	**Total**
Balances with central banks	3,899,003	-	1,919,297	-	5,818,300
Due from banks	4,900,428	2,750,226	3,950,186	7,701,161	19,302,001
Loans and advances to customers	61,512,153	1,673,141	12,658,833	1,953,470	77,797,597
Investment securities - debt	10,238,126	1,080,802	2,455,551	828,031	14,602,510
Other assets	903,899	20,222	576,600	135,845	1,636,566
	81,453,609	**5,524,391**	**21,560,467**	**10,618,507**	**119,156,974**

2015

	Qatar	Other GCC	Other Middle east	Rest of the world	Total
Balances with central banks	2,944,434	-	1,823,197	-	4,767,631
Due from banks	4,872,171	1,731,328	4,452,914	4,774,530	15,830,943
Loans and advances to customers	59,259,694	2,431,200	14,248,132	662,523	76,601,549
Investment securities - debt	12,309,773	1,011,357	1,107,081	581,723	15,009,934
Other assets	509,926	19,017	367,827	124,481	1,021,251
	79,895,998	5,192,902	21,999,151	6,143,257	113,231,308

2016

	Qatar	**Other GCC**	**Other Middle East**	**Rest of the world**	**Total**
Guarantees	10,415,853	1,743,445	2,719,602	6,765,429	21,644,329
Letters of credit	2,011,652	217,519	274,832	1,755	2,505,758
Unutilised credit facilities	4,549,890	910,050	715,251	-	6,175,191
	16,977,395	**2,871,014**	**3,709,685**	**6,767,184**	**30,325,278**

2015

	Qatar	Other GCC	Other Middle east	Rest of the world	Total
Guarantees	9,024,495	2,308,206	3,160,215	8,407,606	22,900,522
Letter of credit	2,511,681	336,300	455,148	217,632	3,520,761
Unutilised credit facilities	4,023,844	910,050	894,712	-	5,828,606
	15,560,020	3,554,556	4,510,075	8,625,238	32,249,889

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Industry sectors

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

	Gross exposure 2016	Gross exposure 2015
Funded		
Government	23,458,970	22,642,855
Government agencies	2,818,667	2,756,631
Industry	5,254,690	4,562,473
Commercial	12,492,054	11,339,308
Services	36,184,327	32,441,111
Contracting	7,818,390	7,181,317
Real estate	19,415,500	21,399,039
Consumers	9,618,027	9,799,452
Other sectors	2,096,349	1,109,122
Total funded	**119,156,974**	113,231,308
Un-funded		
Government institutions & semi government agencies	1,107,810	1,852,813
Services	13,753,866	8,857,854
Commercial and others	15,463,602	21,539,222
Total un-funded	30,325,278	32,249,889
Total	**149,482,252**	145,481,197

Total maximum exposure net of tangible collateral is QAR 55 billion (2015: QAR 59 billion). The types of collateral obtained include cash, mortgages over real estate properties and pledges of shares.

Credit risk exposure

The table below presents an analysis of financial assets by rating grade equivalent to the rating of the international rating agencies.

	2016	2015
Equivalent grades		
AAA to AA-	30,253,465	30,251,489
A+ to A-	21,849,898	15,307,770
BBB+ to BBB-	63,739,879	68,342,158
BB+ to B-	16,139,694	12,057,329
Unrated/ equivalent internal grading	17,499,316	19,522,451
	149,482,252	145,481,197

The majority of the unrated exposures represent credit facilities granted to customers by the Group's subsidiary ABank.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality

The following table sets out the credit quality of the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements.

	Loans and advances to customers		Due from banks		Investment securities - debt	
	2016	2015	**2016**	2015	**2016**	2015
Neither past due nor impaired:						
A: Low risk	25,050,781	23,416,453	13,555,754	8,374,279	13,173,854	13,517,933
B: Standard/satisfactory risk	48,435,405	49,756,802	5,746,247	7,456,664	1,428,656	1,492,001
	73,486,186	73,173,255	**19,302,001**	15,830,943	**14,602,510**	15,009,934
Past due but not impaired :						
A: Low risk	893,552	432,832		-		-
B: Standard/satisfactory risk	2,561,056	2,042,887		-		-
	3,454,608	2,475,719		-		-
Impaired:						
C: Substandard	295,097	1,829,503		-		-
D: Doubtful	548,844	290,172		-		-
E: Bad debts	3,218,926	1,193,358		-	102,280	118,883
	4,062,867	3,313,033		-	**102,280**	118,883
Less: impairment allowance-specific & collective	(3,206,064)	(2,360,458)		-	(102,280)	(118,883)
	856,803	952,575		-	-	-
Carrying amount – net	**77,797,597**	76,601,549	**19,302,001**	15,830,943	**14,602,510**	15,009,934

Investment securities - debt		
Available-for-sale	14,281,720	15,070,075
Investment securities designated at fair value through income statement	423,070	58,742
Less: impairment allowance (note 11 c)	(102,280)	(118,883)
Carrying amount – net	**14,602,510**	15,009,934

Note: None of the other assets are past due or impaired as at 31 December 2016.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Credit risk (continued)
(v) Credit quality (continued)

Impaired loans and advances to customers and investment in debt securities

Individually impaired loans and advances to customers and investment in debt securities are those instruments for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

Investment in debt securities carried at fair value through profit or losses are not assessed for impairment but are subject to the same internal grading system, where applicable.

Loans and advances to customers past due but not impaired

Past due but not impaired loans and advances to customers are those for which contractual interest 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.

Loans and advances to customers less than 90 days as at 31 December past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	2016	2015
Up to 30 days	1,665,032	1,071,934
31 to 60 days	1,211,196	1,029,064
Above 60 days	578,380	374,721
Gross	**3,454,608**	2,475,719

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality (continued)

Rescheduled loans and advances to customers

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non impaired. The carrying value of renegotiated loans and advances as at 31 December 2016 was QAR 3,177 million (2015: QAR 3,528 million).

(vi) 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 indices of similar assets.

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against the past dues loans and advances to customers.

The aggregate collateral is QAR 768 million (2015: QAR 454 million) for past due loans and advances to customers up to 30 days, QAR 447 million (2015: QAR 906 million) for past due from 31 to 60 days and QAR 258 million (2015: QAR 174 million) for past due above 60 days.

(vii) Repossessed collateral

During the year, the Group acquired ownership of land and building by taking possession of collateral held as security for an amount of QAR nil million (2015: QAR 885 million).

Repossessed properties proceeds are used to reduce the outstanding indebtedness and are sold as soon as practicable. Repossessed property is classified in the consolidated statement of financial position within other assets.

(viii) Write-off policy

The Group writes off a loan or an investment in debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible. QCB approval is required for such write off when the amount to be written off exceeds Qatar Riyal hundred thousand.

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 standardized loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 513 million (2015: QAR 613 million).

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 derivatives etc. Such outflows would deplete available cash resources for client lending, 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 lending 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 management of liquidity risk is governed by the Group's liquidity policy. The primary objective of liquidity risk management; over which ALCO has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behaviour or abnormal market conditions. ALCO emphasises the maximisation and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Group's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by the Bank's credit ratings, which are as follows:

Moody's: Long Term A2, Short Term P1, financial strength Baa3 and outlook Stable.

Fitch : Long Term A+, Short Term F1, financial strength bbb- and outlook Stable.

Standard & Poor's: Long Term BBB+, Short Term A-2, financial strength bbb- and outlook Negative.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, 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 the Group's lead regulator, QCB under the heading 'Liquidity adequacy ratio' (LAR). The minimum ratio limit set by QCB is 100%.

Following table sets out the LAR position of the Group during the year as follows:

	2016	2015
At 31 December	**117.84**	108.12
Average for the year	**111.99**	107.52
Maximum for the year	**117.84**	115.86
Minimum for the year	**104.91**	102.80

4. FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Liquidity risk (continued)
(iii) Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2016								
Cash and balances with central banks	6,420,566	3,056,011	-	-	3,056,011	-	-	3,364,555
Due from banks	19,302,001	11,029,421	2,159,366	5,053,976	18,242,763	1,059,238	-	-
Loans and advances to customers	77,797,597	5,270,134	1,624,183	10,087,589	16,981,906	21,268,061	39,547,630	-
Investment securities	15,377,783	686,825	7	479,911	1,166,743	7,075,612	6,360,155	775,273
Investment in associates and a joint arrangement	4,300,647	-	-	-	-	-	-	4,300,647
Others assets	7,181,692	885,572	166,033	172,376	1,223,981	2,241,717	-	3,715,994
Total	**130,380,286**	**20,927,963**	**3,949,589**	**15,793,852**	**40,671,404**	**31,644,628**	**45,907,785**	**12,156,469**
Due to banks	11,634,313	9,787,406	582,615	312,690	10,682,711	698,219	253,383	-
Customer deposits	70,926,401	33,883,217	17,510,243	17,674,314	69,067,774	1,858,627	-	-
Debt securities	11,717,260	66,296	84,430	1,817,814	1,968,540	8,493,910	1,254,810	-
Other borrowings	10,777,242	1,642,921	238,344	3,116,298	4,997,563	5,180,925	598,754	-
Other liabilities	6,023,798	1,882,235	496,543	3,313,951	5,692,729	331,069	-	-
Total	**111,079,014**	**47,262,075**	**18,912,175**	**26,235,067**	**92,409,317**	**16,562,750**	**2,106,947**	**-**
Difference	**19,301,272**	**(26,334,112)**	**(14,962,586)**	**(10,441,215)**	**(51,737,913)**	**15,081,878**	**43,800,838**	**12,156,469**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount	Demand / within 1 month	1-3 months	3 months –1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
2015								
Cash and balances with central bank	5,423,592	409,361	-	-	409,361	-	-	5,014,231
Due from banks	15,830,943	8,505,741	2,607,660	3,343,124	14,456,525	1,374,418	-	-
Loans and advances to customers	76,601,549	4,282,270	2,284,027	7,913,894	14,480,191	21,882,540	40,238,818	-
Investment securities	15,854,241	3,147,562	9	1,069,676	4,217,247	6,594,826	4,197,860	844,308
Investment in associates and a joint arrangement	4,423,172	-	-	-	-	-	-	4,423,172
Others assets	5,287,557	472,049	143,092	152,812	767,953	2,238,452	-	2,281,152
Total	123,421,054	16,816,983	5,034,788	12,479,506	34,331,277	32,090,236	44,436,678	12,562,863
Due to banks	12,456,035	9,627,865	896,065	1,233,889	11,757,819	698,216	-	-
Customer deposits	69,787,654	39,377,801	18,057,223	9,967,219	67,402,243	2,385,411	-	-
Debt securities	8,449,337	-	77,739	94,661	172,400	7,594,936	682,001	-
Other borrowings	12,074,417	94,206	743,526	4,495,524	5,333,256	6,137,474	603,687	-
Other liabilities	3,354,931	861,312	703,615	216,272	1,781,199	996,578	-	577,154
Total	106,122,374	49,961,184	20,478,168	16,007,565	86,446,917	17,812,615	1,285,688	577,154
Difference	17,298,680	(33,144,201)	(15,443,380)	(3,528,059)	(52,115,640)	14,277,621	43,150,990	11,985,709

(iv) Maturity analysis (financial liabilities and derivatives)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

2016	**Carrying amount**	**Gross undiscounted cash flows**	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Due to banks	11,634,313	11,917,658	9,852,902	693,313	352,114	712,379	306,950
Customer deposits	70,926,401	72,029,617	34,357,924	17,818,002	17,966,764	1,886,927	-
Debt securities	11,717,260	13,122,798	69,652	88,590	1,834,877	9,860,180	1,269,499
Other borrowings	10,777,242	11,279,965	1,775,642	272,448	3,249,691	5,358,742	623,442
Other liabilities	5,866,882	5,866,882	1,725,319	496,543	3,313,951	331,069	-
Total liabilities	**110,922,098**	**114,216,920**	**47,781,439**	**19,368,896**	**26,717,397**	**18,149,297**	**2,199,891**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

Derivatives Held for Trading:	Total	Up to 1 Year	1 - 5 years	More than 5 years
2016				
Forward foreign exchange contracts				
Outflow	(18,011,043)	(14,743,330)	(2,795,430)	(472,283)
Inflow	18,688,823	15,363,924	2,794,691	530,208
Interest rate swaps:				
Outflow	(134,277)	(22,869)	(74,673)	(36,735)
Inflow	142,040	24,129	78,612	39,299
Derivatives Held as Fair Value Hedges:				
Interest rate swaps:				
Outflow	(343,695)	(18,725)	(73,416)	(251,554)
Inflow	163,274	8,657	35,069	119,548
Derivatives Held as Cash Value Hedges:				
Forward foreign exchange contracts:				
Outflow	-	-	-	-
Inflow	-	-	-	-
Interest rate swaps:				
Outflow	-	-	-	-
Inflow	-	-	-	-
Total Outflows	**(18,489,015)**	**(14,784,924)**	**(2,943,519)**	**(760,572)**
Total inflows	**18,994,137**	**15,396,710**	**2,908,372**	**689,055**

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2015							
Non-derivative financial liabilities							
Due to banks	12,456,035	12,905,048	9,930,028	900,771	1,359,491	714,758	-
Customer deposits	69,787,654	70,847,753	39,870,411	18,472,412	10,092,889	2,412,041	-
Debt securities	8,449,337	9,611,069	-	84,188	102,514	8,663,143	761,224
Other borrowings	12,074,417	12,464,563	96,991	763,192	4,600,455	6,382,393	621,532
Other liabilities	3,273,794	3,273,794	780,175	703,615	216,272	996,578	577,154
Total liabilities	106,041,237	109,102,227	50,677,605	20,924,178	16,371,621	19,168,913	1,959,910

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

Derivatives Held for Trading:	Total	Up to 1 Year	1 - 5 years	More than 5 years
2015				
Forward foreign exchange contracts				
Outflow	(17,282,853)	(15,097,933)	(1,943,673)	(241,247)
Inflow	17,602,483	15,127,469	2,233,767	241,247
Interest rate swaps:				
Outflow	(166,107)	(25,823)	(85,510)	(54,774)
Inflow	167,644	26,053	86,270	55,321
Derivatives Held as Fair Value Hedges:				
Interest rate swaps:				
Outflow	-	-	-	-
Inflow	-	-	-	-
Derivatives Held as Cash Value Hedges:				
Forward foreign exchange contracts:				
Outflow	-	-	-	-
Inflow	-	-	-	-
Interest rate swaps:				
Outflow	(15,830)	(15,830)	-	-
Inflow	13,592	13,592	-	-
Total Outflows	(17,464,790)	(15,139,586)	(2,029,183)	(296,021)
Total inflows	17,783,719	15,167,114	2,320,037	296,568

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(v) Off-balance sheet items

	Below 1 Year	Above 1 Year	Total
2016			
Loan commitments	1,302,401	4,872,790	6,175,191
Guarantees and other financial facilities	11,133,268	13,016,819	24,150,087
Capital commitments	168,074	-	168,074
Total	**12,603,743**	**17,889,609**	**30,493,352**

	Below 1 Year	Above 1 Year	Total
2015			
Loan commitments	1,461,272	4,367,334	5,828,606
Guarantees and other financial facilities	10,060,028	16,361,255	26,421,283
Capital commitments	149,610	250,585	400,195
Total	11,670,910	20,979,174	32,650,084

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

The Group takes 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 interest 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 interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios and by product type.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's held-to-maturity and available-for-sale investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Group's proprietary investments are managed according to the Group's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the Qatar Central Bank guidelines. The Group's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Group employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits. The maximum limit of the Group's total proprietary investments (i.e. total of fair value through profit and loss, held to maturity and available for sale investment excluding Qatar Government issued or guaranteed investment or debt security portfolios) is restricted to 70% of the Group's capital and reserves (Tier 1 capital). However the individual limit for the held for trading investment portfolio is 10% of capital and reserves (Tier 1 capital) with a maximum permissible loss to carry for local securities at any given time. Investment policy is reviewed by the Board of Directors annually and day to day limits are independently monitored by the Market Risk Management department.

Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under ALCO oversight and approved by the Board.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolio

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 interest rates. Interest rate risk is managed principally through monitoring interest 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 Treasury in its day-to-day monitoring activities.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The Asset and Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Group's non-trading financial instruments.

The Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Group typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non–discretionary and discretionary. The non-discretionary portfolio consists of the Group's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Group's non-discretionary portfolio, the Group uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements, and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Group largely manages the interest rate sensitivity in the non-discretionary portfolio.

The following table summarises the interest sensitivity position at year end, by reference to the re-pricing period or maturity of the Group's assets and liabilities.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

A summary of the Group's interest rate gap position on non-trading balances are as follows:

		Repricing in:					
	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate %
2016							
Cash and balances with central banks	6,420,566	2,951,037	-	-	-	3,469,529	
Due from banks	19,302,001	14,248,027	5,053,974	-	-	-	1.69%
Loans and advances to customers	77,797,597	38,485,866	31,478,636	3,598,151	871,898	3,363,046	5.00%
Investment securities	15,377,783	1,139,538	2,357,752	6,266,172	4,839,048	775,273	3.82%
Investment in associates and a joint arrangement	4,300,647	-	-	-	-	4,300,647	
Property and equipment and all other assets	7,181,692	307,297	116,384	84,874	20,936	6,652,201	
	130,380,286	**57,131,765**	**39,006,746**	**9,949,197**	**5,731,882**	**18,560,696**	
Due to banks	(11,634,313)	(11,634,313)	-	-	-	-	1.58%
Customer deposits	(70,926,401)	(40,422,651)	(17,509,056)	(1,834,579)	-	(11,160,115)	2.48%
Debt securities	(11,717,260)	-	(1,968,540)	(8,493,910)	(1,254,810)	-	4.55%
Other borrowings	(10,777,242)	(1,917,089)	(8,501,225)	(358,928)	-	-	1.62%
Other liabilities	(6,023,798)	(242,624)	(29,386)	(66,940)	(19,866)	(5,664,982)	
Equity	(19,301,272)	-	-	(2,000,000)	(2,000,000)	(15,301,272)	
	(130,380,286)	**(54,216,677)**	**(28,008,207)**	**(12,754,357)**	**(3,274,676)**	**(32,126,369)**	
Interest rate sensitivity gap	-	**2,915,088**	**10,998,539**	**(2,805,160)**	**2,457,206**	**(13,565,673)**	
Cumulative Interest rate sensitivity gap		**2,915,088**	**13,913,627**	**11,108,467**	**13,565,673**	**-**	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Market risks (continued)
(ii) Exposure to interest rate risk – non-trading portfolios (continued)

		Repricing in:					
	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate %
2015							
Cash and balances with central bank	5,423,592	1,928,200	-	-	-	3,495,392	
Due from banks	15,830,943	12,178,419	3,652,524	-	-	-	1.07%
Loans and advances to customers	76,601,549	38,196,456	31,313,376	4,876,218	1,730,731	484,768	5.09%
Investment securities	15,854,241	3,098,235	1,873,482	7,001,118	3,037,099	844,307	3.46%
Investment in associates and a joint arrangement	4,423,172	-	-	-	-	4,423,172	
Property and equipment and other assets	5,287,557	104,021	59,027	224,621	33,602	4,866,286	
	123,421,054	55,505,331	36,898,409	12,101,957	4,801,432	14,113,925	
Due to Bank	(12,456,035)	(11,222,146)	(1,233,889)	-	-	-	1.05%
Customer deposits	(69,787,654)	(47,575,225)	(9,692,636)	(2,353,832)	-	(10,165,961)	1.98%
Debt securities	(8,449,337)	-	(172,400)	(7,594,936)	(682,001)	-	4.44%
Other borrowings	(12,074,417)	(1,742,471)	(9,032,127)	(947,884)	(351,935)	-	1.58%
Other liabilities	(3,354,931)	(51,457)	(17,724)	(221,468)	(1,622)	(3,062,660)	
Equity	(17,298,680)	-	-	(2,000,000)	-	(15,298,680)	
	(123,421,054)	(60,591,299)	(20,148,776)	(13,118,120)	(1,035,558)	(28,527,301)	
Interest rate sensitivity gap	-	(5,085,968)	16,749,633	(1,016,163)	3,765,874	(14,413,376)	
Cumulative Interest rate sensitivity gap		(5,085,968)	11,663,665	10,647,502	14,413,376	-	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 50 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 interest rates, assuming no a symmetrical movement in yield curves and a constant financial position, is as follows:

	50 bp parallel increase	**50 bp parallel decrease**
Sensitivity of net interest income		
2016		
At 31 December	**(80,734)**	**80,734**
Average for the year	**(109,107)**	**109,107**
2015		
At 31 December	(137,479)	137,479
Average for the year	(133,473)	133,473

	50 bp parallel increase	**50 bp parallel decrease**
Sensitivity to reported Fair value reserve in equity of interest rate movements		
2016		
At 31 December	**2,107**	**(2,107)**
Average for the year	**2,379**	**(2,379)**
2015		
At 31 December	2,650	(2,650)
Average for the year	4,423	(4,423)

Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments are reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Foreign currency transactions

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. The table shows the net foreign currency exposure by major currencies at the end of the reporting period along with the sensitivities if there were to be a change in the currency exchange rate.

	2016	2015
Net foreign currency exposure:		
Pounds Sterling	**(14,954)**	(387)
Euro	**7,473**	(2,508,715)
USD	**(4,873,124)**	(1,799,140)
Other currencies	**4,506,612**	4,678,699

	Increase / (decrease) in profit or loss		**Increase / (decrease) in fair value reserve**	
5% increase / (decrease) in currency exchange rate	**2016**	2015	**2016**	2015
Pound Sterling	**(748)**	(19)	**18**	39
Euro	**374**	(125,436)	**48**	118
Other currencies	**225,331**	233,935	**5,727**	7,941

Open exchange position in other currencies represents Group's investment in associates and a joint arrangement denominated in OMR and AED. As these currencies and Qatar Riyal are pegged to the USD, there is no impact to income statement and impact to equity is insignificant.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as held for trading and available for sale. A 10 per cent increase in the Qatar Exchange and Bombay Stock Exchange and a 15 per cent increase in the Abu Dhabi Securities Exchange and Saudi Stock Exchange market index at 31 December 2016 would have increased equity by QAR 28 million (2015: QAR 35 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

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

	2016	2015
Increase / (decrease) in other comprehensive income:		
Qatar Exchange	**13,004**	16,458
Bombay Stock Exchange	**-**	2,670
Abu Dhabi Securities Exchange	**6,110**	5,783
Saudi Stock Exchange	**8,745**	10,059

The above analysis has been prepared on the assumption that all other variables such as interest 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 and is subject to impairment assessment at the end of each reporting period.

(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.

The primary responsibility for the development and implementation of controls to address Operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 equity holders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. The Capital Adequacy Ratio (CAR) of the group is calculated in accordance with the Basel Committee guidelines as adopted by Qatar Central Bank (QCB). From 1st January 2014 QCB adopted Basel III guidelines for CAR calculation.

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

	Basel III 2016	Basel III 2015
Common Equity Tier 1 (CET 1) Capital	11,002,598	10,503,678
Additional Tier 1 Capital	3,961,937	2,000,000
Tier 1 Capital	**14,964,535**	12,503,678
Tier 2 Capital	2,333,381	1,784,830
Total Eligible Capital	**17,297,916**	14,288,508
Risk Weighted Assets for Credit Risk	104,583,275	97,796,316
Risk Weighted Assets for Market Risk	1,688,869	1,013,644
Risk Weighted Assets for Operational Risk	7,634,483	6,915,529
Total Risk Weighted Assets	**113,906,627**	105,725,489
Total Capital Ratio	**15.19%**	13.51%

The minimum requirement for Capital Adequacy Ratio under Basel III as per Qatar Central bank Requirements are as follows:

	Without Capital Conservation Buffer	Including Capital Conservation Buffer	Additional DSIB charge	ICAAP Capital charge	Total
Minimum limit for CET 1 ratio	6%	2.5%	0.25%	0.0%	8.75%
Minimum limit for Tier 1 capital ratio	8%	2.5%	0.25%	0.0%	10.75%
Minimum limit for Total capital ratio	10%	2.5%	0.25%	1.0%	13.75%

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.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis as described in the accounting policy.

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 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 is determined based on the QCB regulations.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances to customers and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

The Bank reviews its loan portfolio to consolidate impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the consolidated statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(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 the accounting policy. 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.

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Goodwill impairment

Goodwill is tested annually for impairment; assets are grouped together into smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to the CGU which is expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(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: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level1 that are observable 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which 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 value based on quoted prices for similar instruments for which 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 and comparison to similar instruments for which market observable prices exist.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

			2016
	Level 1	**Level 2**	**Carrying amount**
Derivative assets	-	226,523	226,523
Investment securities	2,655,263	12,486,481	15,377,783
	2,655,263	**12,713,004**	**15,604,306**
Derivative liabilities		156,917	156,917
		156,917	**156,917**

			2015
	Level 1	Level 2	Carrying amount
Derivative assets	-	155,181	155,181
Investment securities	1,347,029	14,241,701	15,854,241
	1,347,029	14,396,882	16,009,422
Derivative liabilities	-	81,137	81,137
	-	81,137	81,137

All unquoted available for sale equities and investment funds are recorded at fair value except for investments with a carrying value of QAR 236 million (2015: QAR 266 million), which are recorded at cost since their fair value cannot be reliably estimated. There have been no transfers between levels 1, 2 and 3 during the years 2016 and 2015.

Fair value of financial assets and liabilities not measured at fair value is approximately equal to the carrying value.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(ii) Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in the accounting policies.
- in designating financial assets at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in the accounting policies.
- in classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by the accounting policies.

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

(iii) 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.

(iv) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies section.

(v) Useful lives of property and equipment

The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear, technical or commercial obsolescence.

(vi) Useful life of intangible assets

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

(vii) Fair value of land and buildings

The fair value of land and building is determined by valuations from an external professional real estate valuer using recognised valuation techniques and the principles of IFRS 13 "Fair Value Measurement". These valuations entail significant estimates and assumptions about the future. The valuation basis used is capitalization method and comparison & cost approach method.

6. OPERATING SEGMENTS

For management purposes, the Group is divided into four operating segments, which are based on business lines, together with its associates and joint arrangement companies, as follows:

Commercial Bank:

1. **Wholesale Banking** provides an extensive range of conventional funded and non-funded credit facilities, demand and time deposit services, currency exchange facilities, interest rate swaps and other derivative trading services, loan syndication and structured financing services to corporate, commercial and multinational customers. Money market funds and proprietary investment portfolio are also managed by this operating segment.

2. **Retail Banking** provides personal current, savings, time and investment account services, credit card and debit card services, consumer and vehicle loans, residential mortgage services and custodial services to retail and individual customers.

Subsidiaries:

1. **Alternatifbank A.S. ("ABank"):** A subsidiary that provides banking services through its branch network in Turkey. Abank also has its subsidiaries. The Group reported Abank group result under this operating segment.

2. **Other Subsidiaries:**
   a) Orient 1 and Global Card Services L.L.C. provide credit card services in the Sultanate of Oman.
   b) Commercialbank Financial Services L.L.C. provides brokerage services in the State of Qatar.
   c) CBQ Finance Limited, a SPV used for debt issuance for the bank,

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations. (For example, Group headquarters, staff apartments, common property & equipment, cash functions and development projects and related payables, net of intra-group transactions).

Associates and joint arrangement Companies – includes the Group's strategic investments in the National Bank of Oman in the Sultanate of Oman, and United Arab Bank in United Arab Emirates, Asteco Qatar L.L.C. and Massoun Insurance Services L.L.C. which operate in the State of Qatar. All Associates and joint arrangement Companies are accounted for under the equity method.

Management monitors the results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis.

6. OPERATING SEGMENTS (CONTINUED)

(a) By operating segment

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

2016	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	ABank	Others	Unallocated	Total
Net interest income	1,235,408	784,108	2,019,516	410,007	3,458	(92,233)	**2,340,748**
Net other operating income	595,761	393,471	989,232	170,130	21,021	73,114	**1,253,497**
Segmental revenue	1,831,169	1,177,579	3,008,748	580,137	24,479	(19,119)	**3,594,245**
Impairment loss on investment securities	(76,613)	-	(76,613)	-	-	-	**(76,613)**
Net impairment loss on loans and advances to customers	(887,004)	(162,935)	(1,049,939)	(213,503)	(4,299)	(60)	**(1,267,801)**
Segmental profit			**674,768**	**2,602**	**305**	**(129,946)**	**547,729**
Share of results of associates and a joint arrangement							**(46,350)**
Net profit for the year							**501,379**
Other information							
Assets	82,324,157	20,181,697	102,505,854	17,976,836	228,663	5,368,286	**126,079,639**
Investments in associates and a joint arrangement	-	-	-	-	-	-	**4,300,647**
Liabilities	76,311,097	17,928,199	94,239,296	16,680,097	16,555	143,066	**111,079,014**
Contingent items	26,684,462	1,178,298	27,862,760	3,746,483	571,343	-	**32,180,586**

Intra-group transactions are eliminated from this segmental information (Assets: QAR 2,358 million and Liabilities: QAR 368 million)

6. OPERATING SEGMENTS (CONTINUED)

(a) By operating segment (continued)

2015	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	ABank	Others	Unallocated	Total
Net interest income	1,175,941	860,830	2,036,771	566,495	3,322	(72,299)	2,534,289
Net other operating income	558,940	469,777	1,028,717	212,132	23,565	150,455	1,414,869
Segmental revenue	1,734,881	1,330,607	3,065,488	778,627	26,887	78,156	3,949,158
Impairment loss on investment securities	(56,355)	-	(56,355)			-	(56,355)
Net impairment loss on loans and advances to customers	(507,723)	(145,945)	(653,668)	(187,889)	(279)	-	(841,836)
Segmental profit			1,190,310	128,675	4,327	1,247	1,324,559
Share of results of associates and a joint arrangement							109,066
Net profit for the year							1,433,625
Other information							
Assets	75,649,940	20,669,463	96,319,403	17,410,953	273,599	4,993,927	118,997,882
Investments in associates and a joint arrangement	-	-	-	-	-	-	4,423,172
Liabilities	71,388,188	17,856,678	89,244,866	16,120,196	61,797	695,515	106,122,374
Contingent items	25,467,646	1,396,149	26,863,795	4,814,751	571,343	-	32,249,889

Intra-group transactions are eliminated from this segmental information (Assets: QAR 1,365 million and Liabilities: QAR 440 million)

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2016							
Cash and balances with central banks	4,396,286	9	2,024,271	-	-	-	6,420,566
Due from banks	4,900,428	2,750,226	3,950,186	2,987,438	761,780	3,951,943	19,302,001
Loans and advances to customers	61,512,153	1,673,141	12,658,833	1,436,505	56,526	460,439	77,797,597
Investment securities	10,541,549	1,242,214	2,489,104	251,083	635,006	218,827	15,377,783
Investment in associates and a joint arrangement	8,859	4,291,788	-	-	-	-	4,300,647
Property and equipment and all other assets	5,667,654	20,222	1,357,809	125,568	1,994	8,445	7,181,692
Total assets	**87,026,929**	**9,977,600**	**22,480,203**	**4,800,594**	**1,455,306**	**4,639,654**	**130,380,286**
Due to banks	3,823,332	3,267,736	1,964,280	1,849,270	663,609	66,086	11,634,313
Customer deposits	48,595,570	4,805,798	8,156,003	1,128,662	20,960	8,219,408	70,926,401
Debt securities	375,226	-	1,519,490	9,672,455	150,089	-	11,717,260
Other borrowings	187,793	6,311,116	537,947	2,322,848	1,160,633	256,905	10,777,242
Other liabilities	5,186,811	65,011	560,848	163,877	2,745	44,506	6,023,798
Equity	19,301,259	-	13	-	-	-	19,301,272
Total liabilities and equity	**77,469,991**	**14,449,661**	**12,738,581**	**15,137,112**	**1,998,036**	**8,586,905**	**130,380,286**

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography (continued)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2016							
Net interest income	2,122,466	(33,592)	528,620	(215,360)	8,112	(69,498)	2,340,748
Net Fee, commission and other income	944,906	55,367	175,941	19,934	27,904	29,445	1,253,497
Net operating income	3,067,372	21,775	704,561	(195,426)	36,016	(40,053)	3,594,245
Staff cost	(678,672)	-	(192,111)	-	-	(1,489)	(872,272)
Depreciation	(125,537)	-	(11,373)	-	-	(140)	(137,050)
Amortization of intangible assets	(97,139)	-	(7,479)	-	-	-	(104,618)
Impairment loss on investment securities	(21,661)	(54,196)	-	690	(1,446)	-	(76,613)
Net impairment loss on loans and advances to customers	(1,049,999)	(4,299)	(213,503)	-	-	-	(1,267,801)
Other expenses	(432,235)	-	(152,911)	-	-	(2,858)	(588,004)
Profit before share of results of associates and a joint arrangement	662,129	(36,720)	127,184	(194,736)	34,570	(44,540)	547,887
Share of results of associates and a joint arrangement	4,861	(51,211)	-	-	-	-	(46,350)
Profit for the year before tax	**666,990**	**(87,931)**	**127,184**	**(194,736)**	**34,570**	**(44,540)**	**501,537**
Income tax expenses	-	-	(158)	-	-	-	(158)
Net profit for the year	**666,990**	**(87,931)**	**127,026**	**(194,736)**	**34,570**	**(44,540)**	**501,379**

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography (continued)

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
2015							
Cash and balances with central bank	3,500,186	9	1,923,397	-	-	-	5,423,592
Due from banks	4,872,171	1,731,328	4,452,914	1,645,087	232,749	2,896,694	15,830,943
Loans and advances o customers	59,259,693	2,431,200	14,248,133	136,948	72,807	452,768	76,601,549
Investments securities	12,309,773	1,011,357	1,951,388	205,567	104,856	271,300	15,854,241
Investment in associates and a joint arrangement	9,464	4,413,708	-	-	-	-	4,423,172
Property and equipment and other assets	3,819,579	64,302	1,266,649	127,118	2,501	7,408	5,287,557
Total assets	83,770,866	9,651,904	23,842,481	2,114,720	412,913	3,628,170	123,421,054
Due to banks	3,718,668	4,165,194	1,903,102	2,340,842	71,358	256,871	12,456,035
Customer deposits	53,326,573	4,778,832	6,842,143	579,514	24,950	4,235,642	69,787,654
Debt securities	454,362	-	803,372	7,009,860	181,743	-	8,449,337
Other borrowings	227,398	2,194,379	1,078,208	6,857,932	1,405,413	311,087	12,074,417
Other liabilities	2,553,795	94,313	666,018	36,208	1,318	3,279	3,354,931
Equity	16,753,455	-	545,225	-	-	-	17,298,680
Total liabilities and equity	77,034,251	11,232,718	11,838,068	16,824,356	1,684,782	4,806,879	123,421,054

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography (continued)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2015							
Net interest income	1,981,035	18,819	635,124	(146,826)	67,410	(21,273)	2,534,289
Net Fee, commission and other income	1,141,520	33,793	220,516	7,770	3,561	7,709	1,414,869
Net operating income	3,122,555	52,612	855,640	(139,056)	70,971	(13,564)	3,949,158
Staff cost	(634,093)	-	(229,209)	-	-	(1,162)	(864,464)
Depreciation	(124,079)	-	(11,929)	-	-	(319)	(136,327)
Amortization of intangible assets	(47,339)	-	(5,223)	-	-	-	(52,562)
Impairment loss on investment securities	(1,820)	(15,971)	-	(2,161)	(16,023)	(20,380)	(56,355)
Net impairment loss on loans and advances to customers	(653,668)	(279)	(187,889)	-	-	-	(841,836)
Other expenses	(453,816)	-	(180,020)	-	-	(3,537)	(637,373)
Profit before share of results of associates and a joint arrangement	1,207,740	36,362	241,370	(141,217)	54,948	(38,962)	1,360,241
Share of results of associates and a joint arrangement	4,690	104,376	-	-	-	-	109,066
Profit for the year before tax	1,212,430	140,738	241,370	(141,217)	54,948	(38,962)	1,469,307
Income tax expenses	-	-	(35,682)	-	-	-	(35,682)
Net profit for the year	1,212,430	140,738	205,688	(141,217)	54,948	(38,962)	1,433,625

7. FINANCIAL ASSETS AND LIABILITIES

(a) Accounting classifications and fair values

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

	Fair value through income statement	Held-to-maturity	Loans and receivables (at amortised cost)	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
2016							
Cash and balances with central banks	-	-	6,420,566	-	-	6,420,566	6,420,566
Due from banks	-	-	19,302,001	-	-	19,302,001	19,302,001
Derivative assets	226,523	-	-	-	-	226,523	226,523
Loans and advances to customers	-	-	77,797,597	-	-	77,797,597	77,797,597
Investment securities:	-	-	-	-	-	-	-
Measured at fair value	423,070	-	-	14,954,713	-	15,377,783	15,377,783
	649,593	**-**	**103,520,164**	**14,954,713**	**-**	**119,124,470**	**119,124,470**
Derivative liabilities	156,916	-	-	-	-	156,916	156,916
Due to banks	-	-	-	-	11,634,313	11,634,313	11,634,313
Customer deposits	-	-	-	-	70,926,401	70,926,401	70,926,401
Debt securities	-	-	-	-	11,717,260	11,717,260	12,051,692
Other borrowings	-	-	-	-	10,777,242	10,777,242	10,777,242
	156,916	**-**	**-**	**-**	**105,055,216**	**105,212,132**	**105,546,564**

The fair value of loans and receivables has been arrived at using a level 2 valuation method, except for the impaired loans and receivables net of provisions amounting to QAR 857 million for which a level 3 valuation method has been used.

The fair value of liabilities measured at amortized cost has been arrived at using a level 2 valuation method, except for debt securities which are quoted and valued using a level 1 method.

7. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Accounting classifications and fair values (continued)

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

2015	Fair value through income statement	Held-to-maturity	Loans and receivables (at amortised cost)	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and balances with central bank	-	-	5,423,592	-	-	5,423,592	5,423,592
Due from banks	-	-	15,830,943	-	-	15,830,943	15,830,943
Derivative assets	155,181	-	-	-	-	155,181	155,181
Loans and advances to customers	-	-	76,601,549	-	-	76,601,549	76,601,549
Investment securities:	-	-	-	-	-	-	-
Measured at fair value	58,742	-	-	15,795,499	-	15,854,241	15,854,241
	213,923	-	97,856,084	15,795,499	-	113,865,506	113,865,506
Derivative liabilities	81,137	-	-	-	-	81,137	81,137
Due to banks	-	-	-	-	12,456,035	12,456,035	12,456,035
Customer deposits	-	-	-	-	69,787,654	69,787,654	69,787,654
Debt securities	-	-	-	-	8,449,337	8,449,337	8,858,556
Other borrowings	-	-	-	-	12,074,417	12,074,417	12,074,417
	81,137	-	-	-	102,767,443	102,848,580	103,257,799

The fair value of loans and receivables has been arrived at using a level 2 valuation method, except for the impaired loans and receivables net of provisions amounting to QAR 953 million for which a level 3 valuation method has been used.

The fair value of liabilities measured at amortized cost has been arrived at using a level 2 valuation method, except for debt securities which are quoted and valued using a level 1 method.

8. CASH AND BALANCES WITH CENTRAL BANKS

	2016	2015
Cash	602,266	655,961
Cash reserve with central banks *	4,291,626	4,358,270
Other balances with central banks	1,526,674	409,361
	6,420,566	5,423,592

*The cash reserve with central banks is mandatory reserve not available for use in the Group's day to day operations.

9. DUE FROM BANKS

	2016	2015
Current accounts	1,085,901	554,791
Placements	13,423,046	10,338,325
Loans to banks	4,793,054	4,937,827
	19,302,001	15,830,943

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

	2016	2015
Loans	72,503,971	74,047,529
Overdrafts	4,488,163	3,972,334
Bills discounted	667,998	485,669
Bankers acceptances	3,363,046	484,768
	81,023,178	78,990,300
Deferred profit	(19,517)	(28,293)
Allowance for impairment of loans and advances to customers	(3,206,064)	(2,360,458)
Net loans and advances to customers*	**77,797,597**	76,601,549

*The aggregate amount of non-performing loans and advances to customers amounted QAR 4,062 million which represents 5.01% of total loans and advances to customers (2015: QAR 3,313 million, 4.20% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QAR 445 million of interest in suspense (2015: QAR 327 million).

By internal business segment	**2016**	2015
Government and related agencies	7,928,932	7,658,085
Wholesale	42,276,637	40,553,811
Retail	27,592,028	28,389,653
Net loans and advances to customers	**77,797,597**	76,601,549

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

b) By sector

At 31 December 2016:

	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	5,831,014	2,097,918	-	-	7,928,932
Non-banking financial institutions	2,257,210	32,265	33,884	-	2,323,359
Industry	5,705,029	30,500	12,564	4,728	5,752,821
Commercial	10,148,596	299,916	160,590	261,850	10,870,952
Services	13,885,812	212,576	310,687	1,952,931	16,362,006
Contracting	6,458,864	338,354	148,551	1,142,079	8,087,848
Real estate	18,186,128	183,297	444	-	18,369,869
Personal	9,009,918	1,218,512	1,278	-	10,229,708
Others	1,021,400	74,825	-	1,458	1,097,683
	72,503,971	**4,488,163**	**667,998**	**3,363,046**	**81,023,178**
Less: Deferred profit					(19,517)
Allowance for impairment of loans and advances to customers					(3,206,064)
					(3,225,581)
Net loans and advances to customers					**77,797,597**

At 31 December 2015:

	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	5,988,419	1,669,666	-	-	7,658,085
Non-banking financial institutions	3,231,172	19,399	-	-	3,250,571
Industry	4,848,537	60,313	48	769	4,909,667
Commercial	8,307,134	224,846	250,893	312,146	9,095,019
Services	13,016,912	190,961	135,185	32,012	13,375,070
Contracting	7,224,010	184,235	53,093	139,841	7,601,179
Real Estate	20,985,263	338,205	888	-	21,324,356
Personal	9,017,096	1,176,658	45,562	-	10,239,316
Others	1,428,986	108,051	-	-	1,537,037
	74,047,529	3,972,334	485,669	484,768	78,990,300
Less: Deferred profit					(28,293)
Allowance for impairment of loans and advances to customers					(2,360,458
					(2,388,751)
Net loans and advances to customers					76,601,549

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in allowance for impairment of loans and advances to customers

	2016	2015
Balance at 1 January	2,360,458	2,099,773
Allowance made during the year	1,705,566	1,252,434
Recoveries during the year	(253,309)	(258,941)
Net allowance for impairment during the year *	1,452,257	993,493
Written off during the year	(504,759)	(610,717)
Exchange differences	(101,892)	(122,091)
Balance at 31 December	**3,206,064**	2,360,458

*This includes net interest suspended during the year QAR 184.5 million (2015: QAR 151.6 million) as per QCB regulations.

Further analysis is as follows:

	Commercial Bank	**Abank**	**Other subsidiaries**	**Total**
Balance at 1 January 2016	1,850,106	498,541	11,811	2,360,458
Allowance made during the year	1,340,134	359,544	5,888	1,705,566
Recoveries during the year	(105,678)	(146,042)	(1,589)	(253,309)
Written off during the year	(392,085)	(112,674)	-	(504,759)
Exchange differences	-	(101,892)	-	(101,892)
Balance at 31 December 2016	**2,692,477**	**497,477**	**16,110**	**3,206,064**

	Commercial Bank	Abank	Other subsidiaries	Total
Balance at 1 January 2015	1,499,233	589,007	11,533	2,099,773
Allowance made during the year	874,306	376,957	1,171	1,252,434
Recoveries during the year	(68,981)	(189,067)	(893)	(258,941)
Written off during the year	(454,452)	(156,265)	-	(610,717)
Exchange differences	-	(122,091)	-	(122,091)
Balance at 31 December 2015	1,850,106	498,541	11,811	2,360,458

11. INVESTMENT SECURITIES

Investment securities as at 31 December 2016 totaled QAR 15,377 million (2015: QAR 15,854 million). The analysis of investment securities is detailed below:

	2016	2015
Available-for-sale	14,954,713	15,795,499
Investment securities designated at fair value through profit or loss	423,070	58,742
Total	**15,377,783**	15,854,241

The carrying value of investment securities pledged under repurchase agreements (REPO) is QAR 3,793 million (2015:QAR 2,392 million)

a) Available-for-sale

	2016			2015		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Equities	247,790	156,935	404,725	314,314	169,133	483,447
State of Qatar debt securities	2,293,530	7,514,228	9,807,758	4,957,114	7,047,036	12,004,150
Debt and other securities*	4,257,935	113,747	4,371,682	2,804,585	142,457	2,947,042
Investment funds	107,309	263,239	370,548	67,729	293,131	360,860
Total	**6,906,564**	**8,048,149**	**14,954,713**	8,143,742	7,651,757	15,795,499

* Fixed rate securities and floating rate securities amounted to QAR 4,008 million and QAR 363 million respectively (2015: QAR 2,476 million and QAR 471 million respectively).

b) Investment securities designated at fair value through profit or loss

	2016	2015
Debt securities	423,070	58,742
Total*	**423,070**	58,742

*Fair value through profit or loss includes investments held for trading amounting to QAR 365 million as on 31 December 2016 (2015: QAR nil).

c) Movement in impairment loss on investment Available for sale - debt securities

	2016	2015
Balance at 1 January	118,883	104,526
Allowance for impairment during the year	6,803	20,469
Recoveries during the year	(15,634)	(3,640)
Written off during the year	(7,772)	(2,472)
Total	**102,280**	118,883

The Group has also recognised impairment loss for investments in equities and funds during the year amounting to QAR 69.8 million (2015: QAR 35.9 million).

12. INVESTMENT IN ASSOCIATES AND A JOINT ARRANGEMENT

	2016	2015
Balance at 1 January	4,423,172	4,446,826
Share of results - note 21	(46,350)	109,066
Cash dividend - note 21	(79,389)	(117,269)
Other movements	3,214	(15,451)
Balance at 31 December	**4,300,647**	4,423,172

		Amount				**Ownership %**	
Name of the Entity	**Classification**	**2016**	2015	**Country**	**Activities**	**2016**	2015
National Bank of Oman SAOG ('NBO')	Associate	2,023,455	1,918,657	Oman	Banking	34.9%	34.9%
United Arab Bank PJSC ('UAB')	Associate	2,268,333	2,495,053	UAE	Banking	40%	40%
Asteco Qatar L.L.C*	Associate	-	1,264	Qatar	Facilities management	-	30%
Massoun Insurance Services LLC	Joint venture	8,859	8,198	Qatar	Insurance brokerage	50%	50%
		4,300,647	4,423,172				

*Asteco Qatar L.L.C. has been liquidated during the year.

The summarised financial position and results of associates and a joint arrangement as at the end of reporting period are as follows:

	2016	2015
Total assets	**54,474,088**	54,326,439
Total liabilities	**47,299,357**	46,884,966
Operating income	**2,153,311**	2,490,690
Net profit	**19,238**	412,733
Total comprehensive income	**36,905**	365,476
Share of results	**(46,350)**	109,066

13. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost						
Balance at 1 January 2015	1,055,391	159,979	932,781	7,556	270,217	2,425,924
Additions / transfers	365	7,948	101,124	420	107,161	217,018
Disposals	(45,527)	(10,138)	(5,215)	-	-	(60,880)
Exchange differences	157	(14,507)	(22,382)	(41)	-	(36,773)
Balance at 31 December 2015	1,010,386	143,282	1,006,308	7,935	377,378	2,545,289
Balance at 1 January 2016	1,010,386	143,282	1,006,308	7,935	377,378	2,545,289
Additions / transfers	14,470	13,485	122,774	68	36,633	187,430
Revaluation on land & buildings (note 40)	974,319	-	-	-	-	974,319
Disposals	(2,118)	(10,388)	(1,321)	(3,416)	-	(17,243)
Exchange differences	88	(9,675)	(16,460)	(27)	-	(26,074)
Balance at 31 December 2016	**1,997,145**	**136,704**	**1,111,301**	**4,560**	**414,011**	**3,663,721**
Accumulated depreciation						
Balance at 1 January 2015	261,820	132,248	715,828	5,513	-	1,115,409
Depreciation for the year	27,605	7,798	100,393	531	-	136,327
Disposals	(14,637)	(6,478)	(3,775)	-	-	(24,890)
Exchange differences	-	(10,541)	(16,349)	(48)	-	(26,938)
Balance at 31 December 2015	274,788	123,027	796,097	5,996	-	1,199,908
Balance at 1 January 2016	274,788	123,027	796,097	5,996	-	1,199,908
Depreciation for the year	27,267	5,932	103,208	643	-	137,050
Revaluation on land & buildings (note 40)	(290,475)	-	-	-	-	(290,475)
Disposals	(620)	(8,548)	(1,056)	(3,393)	-	(13,617)
Exchange differences	(2)	(6,128)	(12,220)	(30)	-	(18,380)
Balance at 31 December 2016	**10,958**	**114,283**	**886,029**	**3,216**	**-**	**1,014,486**
Net carrying amounts						
Balance at 31 December 2015	735,598	20,255	210,211	1,939	377,378	1,345,381
Balance at 31 December 2016	**1,986,187**	**22,421**	**225,272**	**1,344**	**414,011**	**2,649,235**

14. INTANGIBLE ASSETS

	Goodwill	Brand	Customer relationship	Core deposit	Internally developed software	Total
Cost						
Balance at 1 January 2015	408,987	109,837	346,745	93,283	14,811	973,663
Additions / transfers	-	9,593	-	-	6,720	16,313
Disposals	-	-	-	-	-	-
Exchange differences	(83,163)	(23,039)	(70,507)	(18,968)	(3,502)	(199,179)
Balance at 31 December 2015	325,824	96,391	276,238	74,315	18,029	790,797
Balance at 1 January 2016	325,824	96,391	276,238	74,315	18,029	790,797
Additions / transfers	-	-	-	-	-	-
Acquisitions	-	6,281	-	-	6,070	12,351
Disposals	-	-	-	-	-	-
Exchange differences	(56,748)	(16,267)	3,057	(1,400)	(2,564)	(73,922)
Balance at 31 December 2016	**269,076**	**86,405**	**279,295**	**72,915**	**21,535**	**729,226**
Amortisation and Impairment						
Balance at 1 January 2015	-	58,566	36,894	8,323	9,957	113,740
Amortisation during the year	-	4,010	36,894	8,323	3,335	52,562
Impairment during the year	-	-	-	-	-	-
Exchange differences	-	(11,911)	-	-	(1,973)	(13,884)
Balance at 31 December 2015	-	50,665	73,788	16,646	11,319	152,418
Balance at 1 January 2016	-	50,665	73,788	16,646	11,319	152,418
Amortisation during the year	-	4,168	36,894	8,323	5,433	54,818
Acquisitions	-	-	-	-	-	-
Impairment during the year	49,800	-	-	-	-	49,800
Exchange differences	-	(8,923)	-	-	(2,251)	(11,174)
Balance at 31 December 2016	**49,800**	**45,910**	**110,682**	**24,969**	**14,501**	**245,862**
Net carrying amounts						
Balance at 31 December 2015	325,824	45,726	202,450	57,669	6,710	638,379
Balance at 31 December 2016	**219,276**	**40,495**	**168,613**	**47,946**	**7,034**	**483,364**

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU-ABank. A discount rate of 15.5% and a terminal growth rate of 3 % were used to estimate the recoverable amount of ABank.

The recoverable amount for the CGU has been calculated based on the 'Value in Use Method', determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. The discount rate was a pre-tax measure based on the Government Bonds10 year yield TL, adjusted for an equity market risk premium and equity beta.

Five years of cash flows are included in the discounted cash model. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which CGU operate and the long term compound annual profit before taxes, depreciation and amortization growth rate estimated by the management. The key assumptions described above may change as economic and market conditions change.

An impairment loss of QAR 49.8 million is recognized in 2016 (2015: QAR nil). The impairment is recognized as the recoverable amount of this CGU was determined lower than its carrying amount. This was driven by a revision downwards of the five years of cash flows based on current financial outlook for the CGU and the decline in macro-economic conditions in Turkey.

15. OTHER ASSETS

	2016	2015
Interest receivable and accrued income	725,386	592,398
Prepaid expenses	69,135	73,664
Accounts receivable	389,085	245,864
Repossessed collateral*	2,107,564	1,959,536
Positive fair value of derivatives (note 36)	226,523	155,181
Clearing cheques	295,572	27,808
Others	235,828	249,346
	4,049,093	3,303,797

*This represents the value of the properties acquired in settlement of debts and subsequent additions, which have been stated at their carrying value net of any allowance for impairment and credit enhancement. The estimated market values of these properties at the end of the reporting period are not materially different from the carrying values.

16. DUE TO BANKS

	2016	2015
Balances due to central banks	1,083,548	240,928
Current accounts	488,216	628,626
Placements with banks	7,588,404	9,428,341
Repurchase agreements with banks	2,474,145	2,158,140
	11,634,313	12,456,035

17. CUSTOMER DEPOSITS

	2016	2015
a) By type		
Current and call deposits	17,673,432	18,082,053
Saving deposits	5,046,979	5,362,247
Time deposits	48,205,990	46,343,354
	70,926,401	69,787,654
b) By sector		
Government	5,981,470	9,054,395
Government and semi government agencies	7,011,322	10,616,050
Individuals	21,076,685	21,951,875
Corporate	33,651,984	26,777,580
Non-banking financial institutions	3,204,940	1,387,754
	70,926,401	69,787,654

18. DEBT SECURITIES

	2016	2015
EMTN unsecured Programme – Senior unsecured notes	7,238,665	4,524,582
Senior Notes	1,053,348	1,076,371
Subordinated Notes	3,425,247	2,848,384
Total	**11,717,260**	8,449,337

The following table provides the breakdown of the Debt Securities as at close of 31 December 2016.

Instrument	Issuer	Issued amount	Issued on	Maturity	Coupon
EMTN - Senior notes	CBQ Finance Ltd	USD 500 million*	Apr-12	Apr-17	Fixed Rate 3.375%
	CBQ Finance Ltd	USD 750 million*	Jun-14	Jun-19	Fixed Rate 2.875%
	CBQ Finance Ltd	USD 750 million*	Jun-16	Jun-21	Fixed Rate 3.25%
Subordinate notes	CBQ Finance Ltd	USD 600 million*	Nov-09	Nov-19	Fixed Rate 7.50%
	ABank	USD 297 million	Apr-16	Apr-26	Fixed Rate 8.75%
	ABank	USD 50 million	Jun-15	Jun-25	Floating Rate LIBOR +6.00%
Senior Notes	ABank	USD 250 million**	Jul-14	Jul-19	Fixed Rate 3.13%
	ABank	TL 64.4 million	Aug-16	Jan-17	Fixed Rate 11.00%
	ABank	TL 82.1 million	Sep-16	Mar-17	Fixed Rate 10.90%

* issued for and Guaranteed by the Bank
** Guaranteed by the Bank

Movements in debt securities are analysed as follows:

	2016	2015
Balance at beginning of the year	8,449,337	9,544,796
Additions	4,143,999	403,427
Repayments	(178,298)	(1,399,732)
Fair value adjustment	-	11,415
Amortisation of discount and transaction cost	17,244	14,345
Other movement	(475,131)	-
Exchange difference	(239,891)	(124,914)
Balance at 31 December	**11,717,260**	8,449,337

The table below shows the maturity profile of debt securities:

	2016	2015
Up to 1 year	1,968,540	172,400
Between 1 and 3 years	4,887,784	1,812,031
Over 3 years	4,860,936	6,464,906
Balance at 31 December	**11,717,260**	8,449,337

19. OTHER BORROWINGS

	2016	2015
Syndicated loans	6,473,878	6,326,467
Bilateral loans	-	1,092,135
Others *	4,303,364	4,655,815
Total	**10,777,242**	12,074,417

*This includes the other borrowings of Abank QAR 3,298 million (2015: QAR 4,125 million).

Movements in other borrowings are as follows:	2016	2015
Balance at beginning of the year	12,074,417	9,339,678
Additions	4,158,709	9,819,002
Repayments	(5,355,178)	(6,539,127)
Fair value adjustment on consolidation of ABank	(37,291)	(37,291)
Amortisation of discount and transaction cost	11,338	9,521
Other movement	475,131	-
Exchange difference	(549,884)	(517,366)
Balance at 31 December	**10,777,242**	12,074,417

The table below shows the maturity profile of other borrowings:

	2016	2015
Up to 1 year	4,997,563	5,333,259
Between 1 and 3 years	4,636,171	5,727,114
Over 3 years	1,143,508	1,014,044
Balance at 31 December	**10,777,242**	12,074,417

20. OTHER LIABILITIES

	2016	2015
Interest payable	454,845	234,396
Accrued expense payable	278,821	192,498
Other provisions (note i)	235,658	210,006
Negative fair value of derivatives (note 36)	156,916	81,137
Unearned income	143,588	77,406
Cash margins	366,526	350,510
Accounts payable	444,101	362,850
Directors' remuneration and meeting attendance fee	18,500	18,500
Social & sports activities support fund ("Daam") (note 23)	12,534	35,841
Dividend payable	18,389	15,190
Managers' cheque and payment order	56,807	10,657
Unclaimed balances	14,160	65,227
Due for trade acceptances	3,363,046	484,768
NCI – put option fair value (note 39)	-	651,052
Deferred tax liabilities	54,335	69,446
Income tax payable	22,770	26,003
Others	382,802	469,444
Total	**6,023,798**	3,354,931

(i) Other provisions

	Provident fund (a)	**Pension fund (b)**	**Total 2016**	Total 2015
Balance at 1 January	207,565	2,441	210,006	178,413
Provision made during the year (note 31)	55,175	17,738	72,913	54,342
Earnings of the fund	5,885	-	5,885	5,423
Provident fund – staff contribution	8,116	(1,613)	6,503	14,334
Transferred to state retirement fund authority	-	(17,563)	(17,563)	(17,550)
Payment during the year	(40,461)	-	(40,461)	(23,262)
Exchange difference	(1,625)	-	(1,625)	(1,694)
Balance at 31 December	**234,655**	**1,003**	**235,658**	210,006

(a) The provident fund includes the Group's obligations for end of service benefits to expatriate staff per Qatar labour law and the employment contracts.

(b) Pension fund contributions in respect of the national staff are paid to the State administered retirement fund at the end of each month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

21. EQUITY

(a) Share capital

The issued, subscribed and paid up share capital of the Bank is QAR 3,266,292,100 (2015: QAR 3,266,292,100) divided into 326,629,210 (2015: QAR 326,629,210) ordinary shares of QAR 10 each.

In thousands of shares	**2016**	2015
On issue at the beginning of the reporting period	326,629	296,936
Bonus shares issued	-	29,693
In issue at 31 December	**326,629**	326,629

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' Annual/Extra-ordinary General meeting of the Bank.

(b) Legal reserve

The legal reserve of Commercial Bank and Abank are QAR 8,740 million (2015: QAR 8,740 million) and QAR 85 million (2015: QAR 80 million) respectively.

In accordance with Qatar Central Bank Law No 13 of 2012, 10% of the net profit of the Group for the year is required to be transferred to legal reserve. Share premium collected from the issuance of new shares also transferred to legal reserve. Transfer to legal reserve from net profit is mandatory until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No 11 of 2015 and is subject to pre-approval from QCB.

In accordance with the Turkish Commercial code, an entity is required to transfer 5% of net profit until the legal reserve is equal to 20% of issued and fully paid up share capital. Rate for transfer to legal reserve goes up to 10% of net profit allocated for distribution excluding the first 5% of the allocated profit. Share premium and proceeds from cancelled shares, if any net of related expenses are also transferred to legal reserve.

(c) General reserve

As per the Bank's Articles of Association, the general reserve may only be used in accordance with a resolution from the General Assembly upon the Board of Directors recommendation and after obtaining Qatar Central Bank approval.

(d) 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 2.50% of the total loans and advances of the Group inside and outside Qatar after the exclusion of the specific provisions and interest in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees is excluded from the gross direct finance. During the year, the total amount of transfer made to the risk reserve was QAR 15 million (2015: QAR 79 million).

(e) Fair value reserve

The fair value reserve arises from the revaluation of the available-for-sale investments and change of post acquisition fair value reserve of its associates and a joint arrangement.

(f) Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations

21. EQUITY (CONTINUED)

(g) Other reserves

This includes the Group's share of profit from investment in associates and a joint arrangement and non-distributable profit of subsidiaries, net of cash dividend received, as required by QCB regulations as follows:

	2016	2015
Balance as at 1 January	1,139,887	1,098,090
Share of result of associates and a joint arrangement (note 12)	(46,350)	109,066
Dividend from associates and a joint arrangement (note 12)	(79,389)	(117,269)
	(125,739)	(8,203)
Transferred from retained earning and other movement	(16,381)	50,000
Net movement	(142,120)	41,797
Balance as at 31 December	**997,767**	1,139,887

(h) Proposed cash dividend and bonus shares

The Board of Directors has proposed a bonus share issue of 5% for the year 2016 (2015: 30% cash dividend). This proposal is subject to approval at the Annual General Assembly.

(i) Dividends paid

During the year, the equity holders received a dividend of QAR 3 per share totalling QAR 980 million in respect of the year ended 31 December 2015 (2014: QAR 3.5 per share totalling QAR 1,039 million in respect of the year ended 31 December 2014).

(j) Revaluation reserve

This represents the surplus on revaluation of land and building and is not avaliable for distribution until the related assets have been disposed off or used (note 40).

(k) Instruments eligible for additional capital

In December 2013 the Bank raised tier 1 capital by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes for an amount of QAR 2 billion. The distributions (i.e. coupon payments) are discretionary and non-cumulative and priced at a fixed rate of 6% per annum, payable annually until the first call date (i.e. 30 December 2019), and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year.

In February 2016 the Bank raised additional tier 1 capital by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes for an amount of QAR 2 billion. The distributions (i.e. coupon payments) are discretionary and non-cumulative and priced at a fixed rate of 6% per annum, payable annually until the first call date (i.e. 27 February 2022), and thereafter to be reset at a prevailing sixth year mid-swap rate plus margin every sixth year.

The Notes are ranked junior to the Bank's existing unsubordinated obligations including existing subordinated debt and depositors, pari passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank.

The Notes have no fixed redemption date and the Bank can only redeem the Notes in the limited circumstance as mentioned in the term sheet i.e. regulatory / tax redemption and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the proposed Capital issue, if a "loss absorption" event is triggered and the Bank has non-discretionary obligation to deliver cash or financial assets. These notes have been classified under equity.

22. OTHER COMPREHENSIVE INCOME

	2016	2015
Available-for-sale investments:		
Positive change in fair value	135,472	32,146
Negative change in fair value	(247,764)	(119,408)
Net change in fair value	(112,292)	(87,262)
Net amount transferred to profit or loss*	(61,551)	(63,024)
	(173,843)	(150,286)
Foreign currency translation differences for foreign operation	(262,104)	(524,760)
Share of other comprehensive income of associates and a joint arrangement	11,612	(15,452)
Revaluation reserve on land and buildings (net) (note 40)	1,264,794	-
Total other comprehensive income	**840,459**	(690,498)

*Net amount transferred to profit or loss includes a positive change in fair value of QAR 66 million (2015: QAR 64.5 million) and a negative change in fair value of QAR 4 million (2015: QAR 1.5 million).

23. CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES SUPPORT FUND ("DAAM")

Pursuant to Law No. 13 of 2008, the Bank made an appropriation of QAR 12.5 million (2015: QAR 35.8 million) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit of the Group for the year ended 31 December 2016.

24. INTEREST INCOME

	2016	2015
Loans and advances to customers	3,699,520	3,612,648
Debt securities	597,308	501,498
Amounts deposited with banks	249,776	163,189
Amounts deposited with central banks	15,985	13,869
	4,562,589	4,291,204

25. INTEREST EXPENSE

	2016	2015
Customer deposits	1,395,747	1,066,908
Debt securities	425,682	397,369
Other borrowings	282,256	168,661
Amount deposited by central banks and other banks	118,156	123,977
	2,221,841	1,756,915

26. FEE AND COMMISSION INCOME

	2016	2015
Loans and advances	379,651	609,861
Credit and debit card fees	371,381	356,912
Indirect credit facilities	148,938	146,507
Banking and other operations	95,489	108,808
Investment activities for customers	45,697	42,057
	1,041,156	1,264,145

27. FEE AND COMMISSION EXPENSE

	2016	2015
Credit and debit card fees	234,424	235,625
Brokerage services	9,753	10,139
Others	60,336	47,664
	304,513	293,428

28. NET FOREIGN EXCHANGE GAIN

	2016	2015
Dealing in foreign currencies & revaluation of spot assets	**245,314**	141,406

29. INCOME FROM INVESTMENT SECURITIES

	2016	2015
Net gain on disposal of available-for-sale securities	152,433	86,636
Dividend income	16,969	19,580
Loss on investment securities at fair value through income statement	(6,383)	(1,332)
	163,019	104,884

30. OTHER INCOME

	2016	2015
Rental and other income	107,711	105,479
Gain on sale of property and equipment	810	89,761
Management fees from associates	-	2,622
	108,521	197,862

31. STAFF COSTS

	2016	2015
Salary and allowances	772,236	776,207
Health care and medical insurance expenses	20,863	17,768
Staff end of services and pension fund contribution (note 20 (i))	72,913	54,342
Training and education	6,260	16,147
	872,272	864,464

32. OTHER EXPENSES

	2016	2015
Marketing and advertisement	59,143	91,978
Professional fees	132,884	161,991
Communication, utilities and insurance	63,894	60,701
Board of Directors' remuneration	18,500	18,500
Occupancy, IT consumables and maintenance	133,657	127,397
Travel and related costs	1,794	3,444
Printing and stationery	9,697	11,133
Outsourcing service costs	109,022	96,185
Others	59,413	66,044
	588,004	637,373

33. EARNINGS PER SHARE

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year:

	2016	2015
Profit for the year attributable to the equity holders of the Bank	500,750	1,401,457
Less: Dividend on instruments eligible for additional capital	(220,000)	(120,000)
Profit for EPS calculation	**280,750**	1,281,457
Weighted average number of outstanding ordinary shares in thousands	326,629	326,629
Earnings per share (QAR)	**0.86**	3.92

34. CONTINGENT LIABILITIES AND CAPTIAL COMMITMENTS

	2016	2015
a) Contingent liabilities		
Unutilized credit facilities	6,175,191	5,828,606
Guarantees	21,644,329	22,900,522
Letters of credit	2,505,758	3,520,761
Total	**30,325,278**	32,249,889
b) Capital commitments		
Total	**168,074**	400,195

34. CONTINGENT LIABILITIES AND OTHER COMMITMENTS(CONTINUED)

b) Other commitments (continued)

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The total contractual amounts do not necessarily represent future cash requirements, since commitments may expire without being drawn upon.

Guarantees and Letters of credit

Guarantees and letters of credit commit the group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

Lease commitments

The Group leases a number of branches and office premises under operating leases. Lease rentals are payable as follows:

	2016	2015
Less than one year	4,080	3,148
Between one and five years	27,938	32,014
More than five years	1,269	1,329
	33,287	36,491

35 CASH AND CASH EQUIVALENTS

	2016	2015
Cash and balances with central banks *	2,128,940	1,065,322
Due from banks up to 90 days	12,186,926	9,873,916
	14,315,866	10,939,238

*Cash and balances with central banks exclude the mandatory cash reserve.

36. DERIVATIVES

				Notional / expected amount by term to maturity			
At 31 December 2016:	**Positive fair value**	**Negative fair value**	**Notional amount**	**within 3 months**	**3 - 12 months**	**1-5 years**	**More than 5 years**
Derivatives held for trading:							
Interest rate swaps	156,602	73,291	4,596,153	342,813	447,315	2,178,675	1,627,350
Forward foreign exchange contracts and others	69,921	72,491	36,699,867	23,205,306	6,901,949	5,590,121	1,002,491
Derivatives held for fair value hedges:							
Interest rate swaps	-	11,134	1,500,310	113,155	-	113,155	1,274,000
Derivatives held for cash flow hedges:							
Forward foreign exchange							
Interest rate swaps							
Total	**226,523**	**156,916**	**42,796,330**	**23,661,274**	**7,349,264**	**7,881,951**	**3,903,841**
At 31 December 2015:							
Derivatives held for trading:							
Interest rate swaps	106,587	60,732	1,089,489	13,417	48,701	285,183	742,188
Forward foreign exchange contracts and others	48,594	20,262	34,885,337	22,430,425	7,794,977	4,177,440	482,495
Derivatives held for fair value hedges:							
Cross currency interest rate swaps	-	-	1,274,000	-	-	-	1,274,000
Derivatives held for cash flow hedges:							
Forward foreign exchange	-	-	-	-	-	-	-
Interest rate swaps	-	143	274,040	274,040	-	-	-
Total	155,181	81,137	37,522,866	22,717,882	7,843,678	4,462,623	2,498,683

The bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counter-parties.

37. FUND MANANGEMENT

As at the end of the reporting date, the Group holds QAR 286 million (2015: QAR 267.63 million) worth of international investment securities on behalf of its customers. Out of this amount, investment securities with a value of QAR 223 million (2015: QAR 226 million) are held with an international custody and settlement house. The remaining investment securities are held with the financial institutions through whom the securities were purchased. These financial institutions are industry leaders in their respective fields. The Group has established maximum limits for such holding with each financial institution according to its risk management policy

38. RELATED PARTIES

The Group carries out various transactions with subsidiaries, associates and joint arrangement companies, members of the Board of Directors and the executive management or companies in which they have significant interest or any other parties of important influence in the Group's financial or operations decisions. The balances at the year end with these accounts were as follows:

Board members of the bank	**2016**	2015
- Loans, advances and financing activities (a)	2,246,419	2,141,555
- Deposits	62,982	177,832
- Contingent liabilities, guarantees and other commitments	111,807	5,659
- Interest and fee income	9,441	9,496
- Interest paid on deposits accounts of board members	5,873	9,699
- Remuneration	18,500	18,500
Associates and joint arrangement companies		
Due from banks	436,996	506,368
Due to banks	2,625	5,149
Deposits	10,327	9,754
Contingent liabilities	780,153	772,252
- Interest earned from Associates	2,583	1,131
- Interest paid to Associates	440	320
Senior management of the bank		
- Remuneration and other benefits	55,920	57,657
- Loans and advances	5,481	11,502

(a) A significant portion of the loans, advances and financing activities' balance at 31 December 2016 with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities' are performing satisfactorily honouring all obligations.

39. OTHER EQUITY – PUT OPTION

In July 2013 Bank acquired the controlling shares of Alternatif Bank (ABank) Turkey, and entered into a put option with the non-controlling equity holders. During the year, the put option has been exercised by the non controlling equity holders and the share transfer was made on 19 December 2016 making ABank a 100% subsidiary of The Commercial Bank (P.S.Q.C.).

40. CHANGE IN ACCOUNTING POLICY FOR MEASUREMENT OF FREEHOLD LAND AND BUILDING

At the end of the year, the Group changed the accounting policy for measuring land and buildings from the cost model to revaluation model. The revaluation of land and buildings resulted in a revaluation surplus of QAR 1,222 million and QAR 42 million respectively, that is recognized in other comprehensive income and accumulated in equity under the heading of revaluation reserve

The land and buildings revaluation has been recognized using the elimination approach whereby the accumulated depreciation amounting to QAR 290 million is eliminated against the related revaluation surplus of the asset and the balance surplus of QAR 974 million has been added to the cost of respective land and buildings.

Due to this change in the accounting policy, the opening balance has not been adjusted and comparatives have not been restated in accordance with paragraph 17 of IAS 8 "*Accounting Policies, Changes in Accounting Estimates and Errors".*

41. COMPARATIVES

The comparative figures have been reclassified where necessary to preserve consistency with the current period. However, such reclassification did not have any effect on the consolidated net profit or equity for the comparative period

42. SUBSEQUENT EVENT

The Extraordinary General Assembly of the Bank was held on 16 November 2016 to resolve the increase of issued share capital of the Bank from QAR 3,266,292,100 to QAR 3,854,527,390 by way of offering 58,823,529 new ordinary shares for subscription at a price of (QAR 25.50) twenty five Qatari Riyals and 50 Dirhams each (including premium per share of QAR 15.5) (the Rights Issue). This is expected to result in an increase in the share capital and share premium by QAR 1,500 million. The Rights issue exercise was closed on 25 January 2017.

FINANCIAL STATEMENTS OF THE PARENT

(a) Statement of Financial Position – Parent

As at 31 December	**2016**	2015
ASSETS		
Cash and balances with central bank	4,396,286	3,500,186
Due from banks	18,648,899	15,022,053
Loans and advances to customers	65,910,284	63,737,274
Investment securities	12,987,755	14,846,664
Investment in associates and a joint arrangement and subsidiaries	6,826,688	5,648,520
Property and equipment	2,611,494	1,308,213
Other assets	3,226,727	2,718,032
TOTAL ASSETS	**114,608,133**	106,780,942
LIABILITIES		
Due to banks	10,434,092	11,429,925
Customer deposits	62,759,898	62,877,719
Debt securities	9,409,101	6,690,964
Other borrowings	6,684,951	6,692,246
Other liabilities	5,459,343	2,686,680
TOTAL LIABILITIES	**94,747,385**	90,377,534
EQUITY		
Share capital	3,266,292	3,266,292
Legal reserve	8,740,365	8,740,365
General reserve	26,500	26,500
Risk reserve	1,502,500	1,487,500
Fair value reserves	(29,592)	(20,775)
Foreign currency translation reserve	-	-
Other equity	-	(651,052)
Revaluation reserve	1,264,794	
Retained earnings	1,089,889	1,554,578
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**15,860,748**	14,403,408
Instrument eligible for additional capital	4,000,000	2,000,000
TOTAL EQUITY	**19,860,748**	16,403,408
TOTAL LIABILITIES AND EQUITY	**114,608,133**	106,780,942

FINANCIAL STATEMENTS OF PARENT (continued)

(b) Income Statement – Parent

For the year ended 31 December	2016	2015
Interest income	3,414,920	3,076,545
Interest expense	(1,420,597)	(1,045,033)
Net interest income	**1,994,323**	2,031,512
Fee and commission income	897,134	949,351
Fee and commission expense	(259,397)	(252,055)
Net fee and commission income	**637,737**	697,296
Foreign exchange gain	196,771	197,965
Income from investment securities	131,713	102,761
Other operating income	96,125	183,158
Net operating income	**3,056,669**	3,212,692
Staff costs	(672,086)	(628,596)
Depreciation	(125,537)	(122,666)
Impairment loss on investment securities	(76,613)	(56,355)
Net impairment loss on loans and advances to customers	(1,049,999)	(653,668)
Other expenses	(449,485)	(471,526)
Profit for the year	**682,949**	1,279,881