

Doha Bank Q.S.C.
Doha - Qatar

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2016

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOHA BANK Q.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Doha Bank Q.S.C. (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 (IFRSs) and the applicable provisions of Qatar Central Bank regulations.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 consolidated financial statements in the State of Qatar, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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. For each matter below our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of loans and advances to customers

Determining the adequacy of impairment allowance on loans and advances to customers is a key area of judgement for the management. The Qatar Central Bank ("QCB") regulations require banks to estimate impairment allowance in accordance with the International Financial Reporting Standards and the applicable provision QCB regulations. The International Financial Reporting Standards require estimation of impairment loss when there is objective evidence of impairment and the loss is measured as the difference between the present value of estimated future cash flows and the carrying amount of the loan. Note 10 to the consolidated financial statements provides details relating to the impairment of loans and advances.

Due to the significance of loans and advances to customers, subjectivity in identifying impairment indicators and estimation uncertainty in measuring impairment loss, this is considered a key audit risk.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOHA BANK Q.S.C. (CONTINUED)

Impairment of loans and advances to customers (continued)

Our procedures included, selecting samples of loans and advances based on our judgement and considering whether there is objective evidence that impairment exists on these loans and advances. We also assessed whether impairment losses for non-performing loans and advances were reasonably determined in accordance with the requirements of IFRS and applicable provisions of QCB regulations. In addition, we considered, assessed and tested relevant controls over credit granting, booking, monitoring and settlement, and those relating to the calculation of credit provisions.

With respect to the collective impairment on loans and advances to customers, we tested management's calculation to assess the adequacy of the Group's collective impairment in accordance with the requirements of the QCB regulations and International Financial Reporting Standards.

Impairment of Investment securities

The Group's investment securities, as set out in Note 11 to the consolidated financial statements, consist of held for trading, available-for-sale ("AFS") and held-to-maturity ("HTM") investments. Held for trading and available-for-sale financial investments are carried at fair value while held-to-maturity investments are carried at amortised cost.

The International Financial Reporting standards require assessment at each reporting date to determine whether there is objective evidence that an investment is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Impairment loss is recognised for debt securities classified as AFS and HTM if there is objective evidence of impairment due to credit-related factors.

Identifying impairment indications and the determination of what is 'significant' or 'prolonged' requires management judgement. In making this judgement, the management evaluates, amongst other factors, the duration or extent to which the fair value of an investment is less than its cost.

Due to the subjectivity in assessment of impairment indicators, use of estimations and assumptions in measuring impairment losses and the magnitude of the account balance, this is considered to be a key audit matter.

Our procedures included, review of management impairment assessment on investment securities (both equity investment securities and debt securities) to determine whether there was objective evidence of impairment on these investments. We also checked the impairment allowance computation to assess whether impairment losses for investment securities were determined in accordance with the requirements of IFRS and applicable provisions of 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. The annual report is expected to be made available to us after the date of this auditor's report.

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 when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein we are required to communicate the matter (s) with those charged with governance.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DOHA BANK Q.S.C. (CONTINUED)

Responsibilities of the Board of Directors and the Board Audit Committee 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 IFRSs and the applicable provisions of Qatar Central Bank 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.

The Board Audit Committee is responsible for overseeing the Group's financial reporting process.

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 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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of user taken on the basis of these consolidated financial statements.

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

- Identify and assess the risk 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 reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
DOHA BANK Q.S.C. (CONTINUED)**

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

- 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.

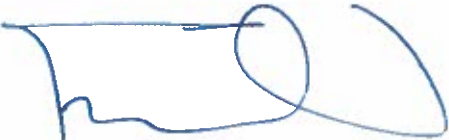
We communicate with the Board Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board Audit Committee 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 Audit Committee, we determine those matters that were most of significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosures 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, which we considered necessary for the purpose of our audit. We confirm that we are not aware of any contraventions by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 11 of 2015, during the financial year that would materially affect its activities or its financial position.



Firas Qoussous
Partner
(Qatar Auditors Registry Number 236)

Date 30 January 2017

Ernst & Young
State of Qatar



Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 QAR'000	2015 QAR'000
ASSETS			
Cash and balances with central banks	8	4,260,410	3,562,821
Due from banks	9	10,505,250	10,385,414
Loans and advances to customers	10	59,186,222	55,595,004
Investment securities	11	14,706,110	12,198,232
Investment in an associate	12	10,343	8,908
Property, furniture and equipment	13	770,845	785,787
Other assets	14	925,769	752,766
TOTAL ASSETS		90,364,949	83,288,932
LIABILITIES			
Due to banks	15	12,275,336	8,776,130
Customer deposits	16	55,729,950	52,766,613
Debt securities	17	1,819,598	2,587,728
Other borrowings	18	4,994,474	3,452,534
Other liabilities	19	2,165,056	2,518,809
TOTAL LIABILITIES		76,984,414	70,101,814
EQUITY			
Share capital	20 (a)	2,583,723	2,583,723
Legal reserve	20 (b)	4,317,561	4,316,950
Risk reserve	20 (c)	1,372,000	1,292,000
Fair value reserve	20 (d)	(103,412)	(269,676)
Foreign currency translation reserve	20 (e)	(24,991)	(19,825)
Proposed dividend	20 (f)	775,117	775,117
Retained earnings		460,537	508,829
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		9,380,535	9,187,118
Instruments eligible as additional capital	20 (g)	4,000,000	4,000,000
TOTAL EQUITY		13,380,535	13,187,118
TOTAL LIABILITIES AND EQUITY		90,364,949	83,288,932

These consolidated financial statements were approved by the Board of Directors on 22 January 2017 and were signed on its behalf by:



Fahad Bin Mohammad Bin Jabor Al Thani
Chairman



Abdul Rahman Bin Mohammad Bin Jabor Al Thani
Managing Director



Dr. Raghavan Seetharaman
Group Chief Executive Officer

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

Doha Bank Q.S.C.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Notes	2016 QAR'000	2015 QAR'000
Interest income	21	3,181,459	2,842,175
Interest expense	22	(1,108,349)	(794,570)
Net interest income		2,073,110	2,047,605
Fee and commission income	23	502,948	537,297
Fee and commission expense	24	(43,169)	(40,752)
Net fee and commission income		459,779	496,545
Gross written premium		93,204	88,294
Premium ceded		(45,313)	(35,108)
Net claims paid		(31,333)	(26,263)
Net income from insurance activities		16,558	26,923
Foreign exchange gain	25	102,246	97,541
Income from investment securities	26	43,120	69,541
Other operating income	27	54,879	73,428
		200,245	240,510
Net operating income		2,749,692	2,811,583
Staff costs	28	(516,304)	(520,524)
Depreciation	13	(93,642)	(81,800)
Impairment loss on investment securities	11	(139,499)	(109,652)
Net impairment loss on loans and advances to customers	10	(480,224)	(313,350)
Other expenses	29	(467,979)	(428,327)
		(1,697,648)	(1,453,653)
Share of results of the associate	12	(46)	168
Profit for the year before tax		1,051,998	1,358,098
Income tax expense	30	1,783	(4,569)
Profit for the year		1,053,781	1,353,529
Earnings per share:			
Basic earnings per share (QAR per share)	31	3.23	4.58
Diluted earnings per share (QAR per share)	31	3.23	4.58

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

Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 QAR'000	2015 QAR'000
Profit for the year		1,053,781	1,353,529
Other comprehensive income:			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation differences for foreign operations		(5,166)	(9,230)
Net change in fair value of available-for-sale investment securities	20	<u>166,264</u>	<u>(212,102)</u>
Net other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods		<u>161,098</u>	<u>(221,332)</u>
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		<u>-</u>	<u>-</u>
Other comprehensive income (loss)		<u>161,098</u>	<u>(221,332)</u>
Total comprehensive income for the year		<u>1,214,879</u>	<u>1,132,197</u>

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

Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Equity attributable to shareholders of the Bank							Instrument eligible as additional capital QAR'000	Total equity QAR'000
	Share capital QAR'000	Legal reserve QAR'000	Risk reserve QAR'000	Fair value reserve QAR'000	Foreign currency translation reserve QAR'000	Proposed dividend QAR'000	Retained earnings QAR'000		
Balance as at 1 January 2016	2,583,723	4,316,950	1,292,000	(269,676)	(19,825)	775,117	508,829	4,000,000	13,187,118
Total comprehensive income for the year:	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	1,053,781	-	1,053,781
Other comprehensive income	-	-	-	166,264	(5,166)	-	-	-	161,098
Total comprehensive income for the year	-	-	-	166,264	(5,166)	-	1,053,781	-	1,214,879
Transfer to legal reserve	-	611	-	-	-	-	(611)	-	-
Distribution for Tier 1 Capital notes	-	-	80,000	-	-	-	(80,000)	-	-
Contribution to social and sports fund	-	-	-	-	-	-	(220,000)	-	(220,000)
Dividends paid (Note 20 f)	-	-	-	-	-	-	(26,345)	-	(26,345)
Proposed dividends (Note 20 f)	-	-	-	-	-	(775,117)	-	-	(775,117)
Balance as at 31 December 2016	2,583,723	4,317,561	1,372,000	(103,412)	(24,991)	775,117	460,537	4,000,000	13,380,535

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

Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2016

	Equity attributable to shareholders of the Bank										Total equity QAR '000
	Share capital QAR '000	Legal reserve QAR '000	Risk reserve QAR '000	Fair value reserve QAR '000	Foreign currency translation reserve QAR '000	Proposed dividend QAR '000	Retained earnings QAR '000	Total QAR '000	Instrument eligible as additional capital QAR '000	Total equity QAR '000	
Balance as at 1 January 2015	2,583,723	4,313,177	1,140,000	(57,574)	(10,595)	1,033,489	290,533	9,292,753	2,000,000	11,292,753	
Total comprehensive income for the year:											
Profit for the year	-	-	-	-	-	-	1,353,529	1,353,529	-	1,353,529	
Other comprehensive income	-	-	-	(212,102)	(9,230)	-	-	(221,332)	-	(221,332)	
Total comprehensive income for the year	-	-	-	(212,102)	(9,230)	-	1,353,529	1,132,197	-	1,132,197	
Transfer to legal reserve	-	3,773	-	-	-	-	(3,773)	-	-	-	
Transfer to risk reserve	-	-	152,000	-	-	-	(152,000)	-	-	-	
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(170,000)	(170,000)	-	(170,000)	
Issuance of additional tier 1 capital instruments (Note 20 g)	-	-	-	-	-	-	-	-	2,000,000	2,000,000	
Contribution to social and sports fund	-	-	-	-	-	-	(34,343)	(34,343)	-	(34,343)	
Dividends paid (Note 20 f)	-	-	-	-	-	(1,033,489)	-	(1,033,489)	-	(1,033,489)	
Proposed dividends (Note 20 f)	-	-	-	-	-	775,117	(775,117)	-	-	-	
Balance as at 31 December 2015	2,583,723	4,316,950	1,292,000	(269,676)	(19,825)	775,117	508,829	9,187,118	4,000,000	13,187,118	

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

Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Notes	2016 QAR'000	2015 QAR'000
Cash flows from operating activities			
Profit for the year before tax		1,051,998	1,358,098
<i>Adjustments for:</i>			
Net impairment loss on loans and advances to customers	10	480,224	313,350
Impairment loss on investment securities	11	139,499	109,652
Depreciation	13	93,642	81,800
Amortisation of financing cost		11,502	7,180
Net loss / (gains) on investment securities	26	5,095	(30,673)
Profit on sale of property, plant and equipment		446	597
Share of results of the associate	12	46	(168)
		<u>1,782,452</u>	<u>1,839,836</u>
<i>Profit before changes in operating assets and liabilities</i>			
Change in due from banks		541,188	(554,000)
Change in loans and advances to customers		(4,480,255)	(7,198,263)
Change in other assets		(173,003)	25,303
Change in due to banks		3,499,206	(4,018,605)
Change in customer deposits		2,963,337	6,820,038
Change in other liabilities		51,487	181,770
Social and sports fund contribution		(34,343)	(33,966)
Income tax paid		1,783	(22,823)
		<u>4,151,852</u>	<u>(2,960,710)</u>
Net cash from (used in) operating activities			
Cash flows from investing activities			
Acquisition of investment securities		(8,066,482)	(10,587,113)
Proceeds from sale of investment securities		5,578,839	7,954,022
Acquisition of property, furniture and equipment	13	(89,143)	(77,326)
Proceeds from the sale of property, furniture and equipment		9,997	745
Acquisition of foreign branches, net of cash	36	-	17,416
		<u>(2,566,789)</u>	<u>(2,692,256)</u>
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from issuance of instrument eligible as additional capital	20	-	2,000,000
Proceeds from other borrowings	18	1,541,940	2,717,673
Repayment of debt security		(773,273)	
Distribution on Tier 1 capital notes		(220,000)	(170,000)
Dividends paid		(775,117)	(1,033,489)
		<u>(226,450)</u>	<u>3,514,184</u>
Net cash (used in) from financing activities			
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents as at 1 January		<u>7,557,401</u>	<u>9,696,183</u>
Cash and cash equivalents at 31 December	33	<u>8,916,014</u>	<u>7,557,401</u>
Interest received		3,200,642	2,433,661
Interest paid		1,041,332	709,946
Dividends received		48,215	38,868

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

1 REPORTING ENTITY

Doha Bank Qatari Public Shareholding Company ("Doha Bank" or the "Bank") is an entity domiciled in the State of Qatar and was incorporated on 15 March 1979 as a Joint Stock Company under Emiri Decree No. 51 of 1978. The commercial registration of the Bank is 7115. The address of the Bank's registered office is Doha Bank Tower, Corniche Street, West Bay, P.O. Box 3818, Doha, Qatar.

Doha Bank is engaged in conventional banking activities and operates through its head office in Qatar (Doha) and 29 local branches, six overseas branches in the United Arab Emirates (Dubai & Abu Dhabi), State of Kuwait, the Republic of India (two branches in Mumbai and one branch in Kochi) and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany, Australia, Hong Kong, United Arab Emirates (Sharjah), Canada, Bangladesh and South Africa. In addition, the Bank owns 100% of the issued share capital of Doha Bank Assurance Company L.L.C., an insurance company registered under Qatar Financial Centre and Doha Finance Limited, a special purpose vehicle set up for the issuance of debt. The consolidated financial statements for the year ended 31 December 2016 comprise the Bank and its subsidiaries (together referred to as "the Group").

The principal subsidiaries of the Group are as follows:

<i>Company's name</i>	<i>Country of incorporation</i>	<i>Company's capital (QAR '000)</i>	<i>Company's activities</i>	<i>Percentage of ownership 2016</i>	<i>Percentage of ownership 2015</i>
Doha Bank Assurance Company L.L.C.	Qatar	100,000	General Insurance	100%	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	100%	100%

The consolidated financial statements for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 22 January 2017.

2 BASIS OF PREPARATION**Statement of compliance**

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, financial assets held for trading and available-for-sale financial assets that have been measured at fair value. In addition, the carrying values of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risk that are being hedged.

Functional and presentation currency

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

Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS 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, and the accompanying disclosures, and the disclosure of contingent liabilities. 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

New and amended standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the IASB and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of 1 January 2016.

The following amended accounting standards became effective in 2016 and have been adopted by the Group in the preparation of these Consolidated Financial Statements as applicable. Although these new standards and amendments applied for the first time in 2016, they did not have any a material impact on the annual Consolidated Financial Statements of the Group.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
 Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
 Amendments to IAS 27: Equity Method in Separate Financial Statements
 Annual Improvements 2012-2014 Cycle
 Amendments to IAS 1 Disclosure Initiative
 Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The Group has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group is currently evaluating the impact of these standards. The Group intends to adopt these standards, if applicable, when they become effective.

Topic

Disclosure initiative (Amendment to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
IFRS 9 Financial Instruments	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 15 Revenue from Contracts with Customers	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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("the Group") as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

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

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

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

Associates

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

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost including transaction costs directly related to acquisition of investment in associate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Associates (continued)**

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

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

The Group's share of the results of associates is based on financial statements and adjusted to conform to the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intergroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

The consolidated financial statements of the Group include the associate stated below:

<i>Company name</i>	<i>Country of incorporation and operation</i>	<i>Ownership interest</i>		<i>Principal activity</i>
		<i>%</i>	<i>%</i>	
		<i>2016</i>	<i>2015</i>	
Doha Brokerage and Financial Services Limited	India	44.02%	44.02%	Brokerage and assets management

Foreign currency**Foreign currency transactions and balances**

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

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.

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; and
- all resulting exchange differences are recognised in other comprehensive income.

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. When a foreign operation 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities

Recognition and initial measurement

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes “regular way trades”: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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.

Classification

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management’s intention in acquiring them.

Financial assets

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

- loans and receivables;
- held to maturity;
- available-for-sale; or
- fair value through profit of loss

Financial liabilities

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

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 in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset 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 on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

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 currently enforceable 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For the financial instruments that are not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value provided by the fund manager.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The fair value of unquoted derivatives is determined by discounted cash flows. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 5.

Identification and measurement of impairment

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is 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 assets, and that the loss event has an impact on the future cash flows of the assets 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Identification and measurement of impairment (continued)

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.

In assessing collective impairment, the Group uses historical experience and credit rating in addition to the assessed inherent losses which are reflected by the economic and credit conditions for each identified portfolio.

For listed equity investments, generally a significant decline in the market value from cost or for a prolonged period, 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.

Impairment losses recognised in the consolidated income statement on equity instruments are not recycled through the consolidated income statement. In case of debt instruments, if in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Cash and cash equivalents

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

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

Due from banks and loans and advances to customers

Due from banks and 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.

Due from banks and 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.

Write-off of loans and advances to customers

Loans and advances to customers (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. All write-offs of loans and advances to customers are recorded after obtaining approvals from QCB for such write-offs.

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.

Held-to-maturity financial 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment securities (continued)

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.

Available-for-sale financial assets

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. Where the fair value is not reliably available, 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 the consolidated income statement.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, where upon the cumulative gains and losses previously recognised in consolidated statement of comprehensive income are reclassified to consolidated income statement.

Derivatives

Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the consolidated statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instruments and hedged items, 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 instruments are expected to be *highly effective* in offsetting the changes in the fair value or cash flows of the respective hedged items 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 consolidated income statement 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 consolidated income statement as part of the recalculated effective interest rate of the item over its remaining life.

Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in consolidated income statement.

Derivatives held for trading purposes

The Group's derivative trading instruments includes forward foreign exchange contracts. 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 consolidated income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

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.

Depreciation

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. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. 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, furniture and equipment	3-7 years
Vehicles	5 years

Depreciation methods, useful lives and residual values are re-assessed at each reporting date and adjusted prospectively, if appropriate.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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)

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of income any fee income earned over the period, and the best estimate of the expenditure required settling any financial obligation arising as a result of the guarantees at the reporting date.

Employee benefits

The Group provides for end of service benefits in accordance with the employment policies of the Group. The provision is calculated on the basis of the individual's final salary and period of service at the reporting date. This provision is included in other provisions within other liabilities.

With respect to Qatari and other GCC employees, the Group makes a contribution to the Qatari Pension Fund calculated on a percentage of the employees' salaries, in accordance with the Retirement and Pension Law No. 24 of 2002. The Group's obligations are limited to these contributions.

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 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.

Share capital and reserves

Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in the subsequent events note.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income and expense

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale and fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liabilities. Interest that is 90 days or more overdue is excluded from income. Interest on impaired loans and advances and other financial assets is not recognised in consolidated statement of income.

Premium on insurance

Premium on insurance contracts are recognized as revenue (earned premiums) proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability on a 1/365 days basis.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Fees and commission income and expense

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

Other fees and commission income, including account servicing fees, sales commission 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.

Income from investment securities

Gains or losses on the sale 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.

Income from held to maturity investment securities is recognised based on the effective interest rate method.

Dividend income

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

Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxes are calculated based on applicable tax laws or regulations in the countries in which the Group operates. The provision for deferred taxation is made based on the evaluation of the expected tax liability. Currently there is no corporate tax applicable to the bank in the State of Qatar. However, corporate tax is applicable on foreign branches operating outside the State of Qatar and to one subsidiary in the Qatar Financial Center.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

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

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

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

Earnings per share

The Group 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 shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

Fiduciary activities

Assets held in a fiduciary capacity are not treated as assets of the Group and accordingly are not part of the consolidated statement of financial position.

Repossessed collateral

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

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

Comparatives

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

Parent bank financial information

Statement of financial position and income statement of the Parent bank as disclosed in Note 38 are prepared following the same accounting policies as mentioned above except for investment in subsidiaries, associates which are not consolidated and carried at cost.

4 FINANCIAL RISK MANAGEMENT

Introduction and overview

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The key risks Group is exposed are to credit risk, liquidity risk, operational risk and market risk, which includes trading and non-trading risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies such as the risk management department, internal audit committee, the credit committee, assets and liabilities committee responsible for managing and monitoring those risks.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

As part of its overall risk management, the Group also uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of authority within the Group.

The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits of risks that may be accepted, which are monitored on a daily basis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risks and operational risk.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations in accordance with the agreed terms. Credit risk makes up the largest part of the Group's risk exposure; therefore, the Group carefully manages its exposure to credit risk. Credit risk is attributed to financial instruments such as balance with central banks, due from banks, loans and advances to customers, debt securities and other bills, certain other assets and credit equivalent amounts related to off-balance sheet financial instruments.

Note 10 to the consolidated financial statements disclose the distribution of the loans and advances to customers by economic sectors. Note 4 to the consolidated financial statements disclose the geographical distribution of the Group's credit exposure.

Credit risk measurement

All credit policies are reviewed and approved by the Risk Management Department and the Board of Directors. The Risk Management team centrally approves all significant credit facilities and limits for all corporate, treasury and capital markets, financial institutions and SME clients of the Group. Such approvals are carried out in pursuance to a set of delegated Credit authority limits and in accordance with the Group's approved credit policy.

Furthermore, all credit facilities are independently administered and monitored by the Credit Control Department.

The Group further limits risk through diversification of its assets by geography and industry sectors. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The Group also follows the guidelines issued by Qatar Central Bank with regard to the granting of loans which limits exposure to counterparties.

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash, mortgages, local and international equities, financial guarantees and other tangible securities. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

The Group has a credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collaterals. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Analysis of maximum exposure to credit risk before taking account of collateral held or other credit enhancements

The table below represents credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached. For assets recorded on the statement of financial position, the exposures set out below are based on the net carrying amounts as reported in the consolidated statement of financial position.

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	3,824,450	3,086,661
Due from banks	10,505,250	10,385,414
Loans and advances to customers	59,186,222	55,595,004
Investment securities – debt	13,625,492	10,839,918
Other assets	<u>554,396</u>	<u>592,098</u>
Total as at 31 December	<u>87,695,810</u>	<u>80,499,095</u>
Other credit risk exposures are as follows:		
Guarantees	22,246,187	23,335,322
Letters of credit	7,196,260	3,058,478
Unutilised credit facilities	<u>3,577,504</u>	<u>7,253,819</u>
Total as at 31 December	<u>33,019,951</u>	<u>33,647,619</u>
	<u>120,715,761</u>	<u>114,146,714</u>

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Analysis of concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure based on carrying amounts without taking into account any collateral held or other credit support, as categorized by geographical region. The Group has allocated exposures to regions based on the country of domicile of its counterparties.

	<i>Qatar</i> <i>QAR'000</i>	<i>Other</i> <i>GCC</i> <i>QAR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QAR'000</i>	<i>Rest of the</i> <i>World</i> <i>QAR'000</i>	<i>2016</i> <i>Total</i> <i>QAR'000</i>
Balances with central banks	2,319,749	1,385,028		119,673	3,824,450
Due from banks	4,396,420	2,396,738	696,609	3,015,483	10,505,250
Loans and advances to customers	43,900,118	9,576,525	820,061	4,889,518	59,186,222
Investment securities - debt	11,436,573	1,714,345	1,812	472,762	13,625,492
Other assets	492,743	13,923	1,525	46,205	554,396
	<u>62,545,603</u>	<u>15,086,559</u>	<u>1,520,007</u>	<u>8,543,641</u>	<u>87,695,810</u>
	<i>Qatar</i> <i>QAR'000</i>	<i>Other</i> <i>GCC</i> <i>QAR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QAR'000</i>	<i>Rest of the</i> <i>World</i> <i>QAR'000</i>	<i>2015</i> <i>Total</i> <i>QAR'000</i>
Balances with central banks	2,151,468	930,017	-	5,176	3,086,661
Due from banks	4,618,031	751,402	2,123,727	2,892,254	10,385,414
Loans and advances to customers	40,684,291	9,152,656	865,264	4,892,793	55,595,004
Investment securities - debt	9,199,503	1,175,666	52,534	412,215	10,839,918
Other assets	547,992	31,849	-	12,257	592,098
	<u>57,201,285</u>	<u>12,041,590</u>	<u>3,041,525</u>	<u>8,214,695</u>	<u>80,499,095</u>
	<i>Qatar</i> <i>QAR'000</i>	<i>Other GCC</i> <i>QAR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QAR'000</i>	<i>Rest of the</i> <i>World</i> <i>QAR'000</i>	<i>2016</i> <i>Total</i> <i>QAR'000</i>
Guarantees	12,455,861	4,674,749	182,969	4,932,608	22,246,187
Letters of credit	5,459,057	276,249	130,304	1,330,650	7,196,260
Unutilised credit facilities	2,727,640	724,758	-	125,106	3,577,504
	<u>20,642,558</u>	<u>5,675,756</u>	<u>313,273</u>	<u>6,388,364</u>	<u>33,019,951</u>
	<i>Qatar</i> <i>QAR'000</i>	<i>Other GCC</i> <i>QAR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QAR'000</i>	<i>Rest of the</i> <i>World</i> <i>QAR'000</i>	<i>2015</i> <i>Total</i> <i>QAR'000</i>
Guarantees	13,107,032	4,575,860	464,719	5,187,711	23,335,322
Letters of credit	1,578,788	516,986	138,987	823,717	3,058,478
Unutilised credit facilities	5,557,620	1,670,281	-	25,918	7,253,819
	<u>20,243,440</u>	<u>6,763,127</u>	<u>603,706</u>	<u>6,037,346</u>	<u>33,647,619</u>

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Analysis of concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors

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

	<i>Gross exposure 2016 QAR'000</i>	<i>Gross exposure 2015 QAR'000</i>
<i>Funded and unfunded</i>		
Government and related agencies	20,491,337	15,793,933
Industry	1,981,446	3,061,313
Commercial	9,300,278	9,200,372
Services	20,129,988	20,169,835
Contracting	10,287,927	9,042,053
Real estate	13,897,943	11,536,185
Personal	10,400,778	10,374,915
Others	1,206,113	1,320,489
Guarantees	22,246,187	23,335,322
Letters of credit	7,196,260	3,058,478
Unutilised credit facilities	<u>3,577,504</u>	<u>7,253,819</u>
	<u>120,715,761</u>	<u>114,146,714</u>

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation based on ratings published by external rating agencies:

	<i>2016 QAR'000</i>	<i>2015 QAR'000</i>
Equivalent grades		
Sovereign (State of Qatar)	20,201,854	12,267,995
AAA to AA-	3,581,667	2,405,828
A+ to A-	11,970,506	6,164,453
BBB+ to BBB-	3,562,554	3,254,344
BB+ to B-	1,495,400	1,470,186
Below B-	469,757	26,122
Unrated (equivalent internal grading)	<u>79,434,023</u>	<u>88,557,786</u>
	<u>120,715,761</u>	<u>114,146,714</u>

Unrated exposure represents credit facilities granted to corporations and individuals who do not have external credit ratings. Also, the ratings used by the Group are in line with the ratings and definitions published by the international rating agencies.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Credit quality for class of assets

The table below shows the credit quality by class of asset for consolidated statement of financial position lines, based on the Group's credit rating system.

	<i>Loans and advances to customers</i>		<i>Due from banks</i>		<i>Investment securities - debt</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Neither past due nor impaired (low risk):						
Standard monitoring	54,262,221	52,284,944	10,505,250	10,385,414	13,600,441	10,777,394
Special monitoring	90,198	89,734	-	-	-	-
	<u>54,352,419</u>	<u>52,374,678</u>	<u>10,505,250</u>	<u>10,385,414</u>	<u>13,600,441</u>	<u>10,777,394</u>
Past due but not impaired						
Standard monitoring	2,347,074	888,650	-	-	-	-
Special monitoring	2,883,666	2,520,728	-	-	-	-
	<u>5,230,740</u>	<u>3,409,378</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Impaired						
Substandard	327,954	287,388	-	-	39,245	79,556
Doubtful	288,082	303,755	-	-	-	-
Loss	1,396,266	1,290,101	-	-	-	-
	<u>2,012,302</u>	<u>1,881,244</u>	<u>-</u>	<u>-</u>	<u>39,245</u>	<u>79,556</u>
Less: Impairment allowance-specific	(2,282,717)	(1,946,833)	-	-	(14,194)	(17,032)
Less: Impairment allowance-collective	(126,522)	(123,463)	-	-	-	-
	<u>(2,409,239)</u>	<u>(2,070,296)</u>	<u>-</u>	<u>-</u>	<u>(14,194)</u>	<u>(17,032)</u>
Carrying amount – net	59,186,222	55,595,004	10,505,250	10,385,414	13,625,492	10,839,918
Investment securities - debt						
Held to maturity	-	-	-	-	6,405,787	5,738,356
Held for trading	-	-	-	-	5,657	5,328
Available for sale	-	-	-	-	7,228,242	5,113,266
Less: Impairment allowance	-	-	-	-	(14,194)	(17,032)
Carrying amount – net	-	-	-	-	13,625,492	10,839,918
Total carrying amount	59,186,222	55,595,004	10,505,250	10,385,414	13,625,492	10,839,918

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**Credit risk (continued)****Credit quality for class of assets (continued)****Impaired loans and advances to customers and investment in debt securities**

Individually impaired loans and advances to customers and investment debt securities 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 agreements.

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.

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Up to 30 days	766,042	443,883
31 to 60 days	871,716	726,897
61 to 90 days	<u>3,592,982</u>	<u>2,238,598</u>
Gross	<u>5,230,740</u>	<u>3,409,378</u>

Rescheduled loans and advances to customers

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loans.

Collateral

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

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

The aggregate collateral in respect to the past due but not impaired loans are QAR 6,943 million as of 31 December 2016 (2015: QAR 3,021 million).

The aggregate collateral in respect to the loans and advances to customers are QAR 46,913 million as of 31 December 2016 (2015: QAR 43,651 million).

Repossessed collateral

There were no repossessed collateral as at 31 December 2016 (2015: Nil).

Write-off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB approval.

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 are generally based on a product-specific past due status. The amount written off during the year was QAR 315 million (2015: QAR 130 million).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**Liquidity risk**

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind, in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities.

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.

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

	<i>2016</i>	<i>2015</i>
Average for the year	95.50%	105.85%
Maximum for the year	104.90%	114.49%
Minimum for the year	87.14%	91.58%

Doha Bank Q.S.C.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on contractual maturity dates. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date 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. The Group routinely monitors assets and liabilities maturity profiles to ensure adequate liquidity is maintained.

	Carrying amount QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months – 1 year QAR'000	Subtotal 1 year QAR'000	Above 1 year QAR'000	Undated QAR'000
31 December 2016							
Cash and balances with central banks	4,260,410	2,222,898	-	-	2,222,898	-	2,037,512
Due from banks	10,505,250	5,943,514	749,601	956,616	7,649,731	2,855,519	-
Loans and advances to customers	59,186,222	10,533,174	2,965,159	7,539,618	21,037,951	38,148,271	-
Investment securities	14,706,110	1,909,720	511,456	525,009	2,946,185	10,679,307	1,080,618
Investment in an associate	10,343	-	-	-	-	-	10,343
Property, furniture and equipment	770,845	-	-	-	-	-	770,845
Other assets	925,769	925,769	-	-	925,769	-	-
Total	90,364,949	21,535,075	4,226,216	9,021,243	34,782,534	51,683,097	3,899,318
Due to banks	12,275,336	8,421,017	3,036,060	619,055	12,076,132	199,204	-
Customer deposits	55,729,950	22,226,469	14,754,528	17,337,454	54,318,451	1,411,499	-
Debt securities	1,819,598	-	1,819,598	-	1,819,598	-	-
Other borrowings	4,994,474	-	364,150	2,928,876	3,293,026	1,701,448	-
Other liabilities	2,165,056	2,165,056	-	-	2,165,056	-	-
Total equity	13,380,535	-	-	-	-	-	13,380,535
Total	90,364,949	32,812,542	19,974,336	20,885,385	73,672,263	3,312,151	13,380,535
Maturity gap	-	(11,277,467)	(15,748,120)	(11,864,142)	(38,889,729)	48,370,946	(9,481,217)

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount QAR '000	Less than 1 month QAR '000	1-3 months QAR '000	3 months – 1 year QAR '000	Subtotal 1 year QAR '000	Above 1 year QAR '000	Undated QAR '000
31 December 2015							
Cash and balances with central banks	3,562,821	1,327,949	71,663	-	1,399,612	-	2,163,209
Due from banks	10,385,414	6,092,966	764,429	2,038,001	8,895,396	1,490,018	-
Loans and advances to customers	55,595,004	14,412,618	5,037,509	5,365,768	24,815,895	30,779,109	-
Investment securities	12,198,232	1,475,304	171,425	601,334	2,248,063	8,591,854	1,358,315
Investment in an associate	8,908	-	-	-	-	-	8,908
Property, furniture and equipment	785,787	-	-	-	-	-	785,787
Other assets	752,766	752,766	-	-	752,766	-	-
Total	83,288,932	24,061,603	6,045,026	8,005,103	38,111,732	40,860,981	4,316,219
Due to banks	8,776,130	7,014,908	36,416	1,500,827	8,552,151	223,979	-
Customer deposits	52,766,613	23,564,382	20,577,129	8,405,134	52,546,645	219,968	-
Debt securities	2,587,728	-	-	772,736	772,736	1,814,992	-
Other borrowings	3,452,534	-	250,077	26,301	276,378	3,176,156	-
Other liabilities	2,518,809	2,518,809	-	-	2,518,809	-	-
Total equity	13,187,118	-	-	-	-	-	13,187,118
Total	83,288,932	33,098,099	20,863,622	10,704,998	64,666,719	5,435,095	13,187,118
Maturity gap	-	(9,036,496)	(14,818,596)	(2,699,895)	(26,554,987)	35,425,886	(8,870,899)

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises contractual expiry dates of the Group's contingent liabilities:

	Carrying amount QAR'000	Up to 3 months QAR'000	3 months – 1 year QAR'000	1-5 years QAR'000	Above 5 years QAR'000
31 December 2016					
Guarantees	22,246,187	6,097,173	8,136,881	7,847,552	164,581
Letters of credit	7,196,260	1,506,415	1,036,875	72,292	4,580,678
Unutilised credit facilities	3,577,504	705,170	2,073,448	495,662	303,224
Total	33,019,951	8,308,758	11,247,204	8,415,506	5,048,483
31 December 2015					
Guarantees	23,335,322	6,448,671	6,996,870	9,813,447	76,334
Letters of credit	3,058,478	1,804,203	534,976	718,113	1,186
Unutilised credit facilities	7,253,819	2,405,384	2,667,334	1,907,909	273,192
Total	33,647,619	10,658,258	10,199,180	12,439,469	350,712

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

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

	Carrying amount QAR'000	Gross undiscounted cash flows QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months - 1 year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
31 December 2016							
Non-derivative financial liabilities							
Due to banks	12,275,336	12,301,844	8,429,774	3,045,531	624,849	201,690	-
Customer deposits	55,729,950	56,007,999	22,240,996	14,795,865	17,503,288	1,467,850	-
Debt securities	1,819,598	1,832,520	-	1,832,520	-	-	-
Other borrowings	4,994,474	5,120,105	-	387,392	2,988,799	1,743,914	-
Other liabilities	2,136,080	2,136,080	2,136,080	-	-	-	-
Total liabilities	76,955,438	77,398,548	32,806,850	20,061,308	21,116,936	3,413,454	-

Derivative financial instruments:

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

	Total QAR'000	Up to 1 year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
Derivative financial instruments:				
Outflow	(30,716,511)	(30,716,511)	-	-
Inflow	30,748,829	30,748,829	-	-

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At 31 December 2016

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount QAR '000	Gross undiscouted cash flows QAR '000	Less than 1 month QAR '000	1-3 months QAR '000	3 months - 1 year QAR '000	1-5 years QAR '000	More than 5 years QAR '000
31 December 2015							
Non-derivative financial liabilities							
Due to banks	8,776,130	8,811,137	7,025,439	36,580	1,521,104	228,014	-
Customer deposits	52,766,613	52,939,903	23,574,427	20,623,206	8,502,451	239,819	-
Debt securities	2,587,728	2,680,721	-	19,907	832,900	1,827,914	-
Other borrowings	3,452,534	3,527,670	-	260,431	55,571	3,211,668	-
Other liabilities	2,498,743	2,498,743	2,498,743	-	-	-	-
Total liabilities	70,081,748	70,458,174	33,098,609	20,940,124	10,912,026	5,507,415	-

Derivative financial instruments:

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

	Total QAR '000	Up to 1 year QAR '000	1 - 5 years QAR '000	More than 5 years QAR '000
Derivative financial instruments:				
Outflow	(11,037,704)	(8,699,367)	(2,338,337)	-
Inflow	11,046,514	8,719,070	2,327,444	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in 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.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by Market Risk team. Regular reports are submitted to the Board of Directors and ALCO.

Management of market risks

Overall authority for market risk is vested in ALCO. Financial Risk Management department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day review and monitoring.

The Group has adopted a detailed policy framework drafted in accordance with the Qatar Central Bank guidelines for governing investments portfolio including proprietary book. The governance structure includes policies including Treasury and Investment manual, Financial Risk policy and Hedging policy, etc. These policies define the limit structure along with the risk appetite under which the investment activities are undertaken. The limits structure focuses on total investment limits which in accordance with QCB guidelines are 70% of Group's capital and reserves along with various sub limits such as position and stop loss limits for trading activities. The policies also define various structured sensitivity limits such as VaR and duration for different asset classes within the investment portfolio. The performance of the portfolio against these limits is updated regularly to senior management including ALCO and investment committee.

Investment Committee approve all the investment decision for the Group. Financial Risk Management department is vested with the responsibility of measuring, monitoring risk and reporting risk in the portfolio.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

Exposure to interest rate risk

The principal risk to which the banking and 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.

A summary of the Group's interest rate gap position on banking and trading portfolios is as follows:

	Carrying amount QAR'000	Repricing in:				Non-interest sensitive QAR'000
		Less than 3 months QAR'000	3-12 months QAR'000	Above 1 year QAR'000		
31 December 2016						
Cash and cash equivalents	4,260,410	449,916	70,969	-	3,739,525	
Due from banks	10,505,250	8,626,205	1,588,272	-	290,773	
Loans and advances to customers	59,186,222	56,365,664	335,657	164,612	2,320,289	
Investment securities	14,706,110	904,644	454,039	12,266,809	1,080,618	
Investment in an associate	10,343	-	-	-	10,343	
Property, furniture and equipment	770,845	-	-	-	770,845	
Other assets	925,769	-	-	-	925,769	
Total	90,364,949	66,346,429	2,448,937	12,431,421	9,138,162	
Due to banks	12,275,336	9,970,519	2,025,252	71,498	208,067	
Customer deposits	55,729,950	38,173,092	16,153,845	1,403,013	-	
Debt securities	1,819,598	1,819,598	-	-	-	
Other borrowings	4,994,474	4,994,474	-	-	-	
Other liabilities	2,165,056	-	-	-	2,165,056	
Total equity	13,380,535	-	-	-	13,380,535	
Total	90,364,949	54,957,683	18,179,097	1,474,511	15,753,658	
Interest rate sensitivity gap	-	11,388,746	(15,730,160)	10,956,910	(6,615,496)	
Cumulative interest rate sensitivity gap	-	11,388,746	(4,341,414)	6,615,496	-	

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risks (continued)

Exposure to interest rate risk (continued)

	Carrying amount QAR '000	Repricing in:				Above 1 year QAR '000	Non-interest sensitive QAR '000
		Less than 3 months QAR '000	3-12 months QAR '000				
31 December 2015							
Cash and cash equivalents	3,562,821	-	-	-	-	-	3,562,821
Due from banks	10,385,414	9,792,531	584,301	6,471	6,471	2,111	2,111
Loans and advances to customers	55,595,004	52,627,482	160,913	208,615	208,615	2,597,994	2,597,994
Investment securities	12,198,232	171,486	601,334	10,067,098	10,067,098	1,358,314	1,358,314
Investment in an associate	8,908	-	-	-	-	8,908	8,908
Property, furniture and equipment	785,787	-	-	-	-	785,787	785,787
Other assets	752,766	-	-	-	-	752,766	752,766
	83,288,932	62,591,499	1,346,548	10,282,184	10,282,184	9,068,701	9,068,701
Due to banks	8,776,130	7,107,334	1,500,827	-	-	167,969	167,969
Customer deposits	52,766,613	41,493,729	11,052,916	219,968	219,968	-	-
Debt securities	2,587,728	772,736	-	1,814,992	1,814,992	-	-
Other borrowings	3,452,534	3,452,534	-	-	-	-	-
Other liabilities	2,518,809	-	-	-	-	2,518,809	2,518,809
Total equity	13,187,118	-	-	-	-	13,187,118	13,187,118
	83,288,932	52,826,333	12,553,743	2,034,960	2,034,960	15,873,896	15,873,896
Interest rate sensitivity gap	-	9,765,166	(11,207,195)	8,247,224	8,247,224	(6,805,195)	(6,805,195)
Cumulative interest rate sensitivity gap	-	9,765,166	(1,442,029)	6,805,195	6,805,195	-	-

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**Market risk (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 100 basis points (bp) parallel fall or rise in all yield curves worldwide and a 10 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 asymmetrical movement in yield curves and a constant financial position, is as follows:

	<i>10 bp parallel increase QAR'000</i>	<i>10 bp parallel decrease QAR'000</i>
<i>Sensitivity of net interest income</i>		
2016		
At 31 December	(5,673)	5,673
2015		
At 31 December	(4,698)	4,698
	<i>10 bp parallel increase QAR'000</i>	<i>10 bp parallel decrease QAR'000</i>
<i>Sensitivity of reported equity to interest rate movements</i>		
2016		
At 31 December	(27,285)	27,285
2015		
At 31 December	(14,917)	14,917

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.

Exposure to other market risks**Currency risk**

The Group is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intra-day positions, which are monitored daily. The Group had the following significant net exposures:

	<i>2016 QAR'000</i>	<i>2015 QAR'000</i>
Net foreign currency exposure:		
Pound Sterling	16,193	7,785
Euro	1,133	11,310
Kuwaiti Dinar	39,415	5,482
Japanese Yen	230	58
Other currencies	820,807	384,162

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a percentage increase or decrease in the Qatari Riyals against the relevant foreign currencies except for US Dollars which is pegged to the Qatari Riyal. The sensitivity analysis includes only outstanding foreign currency denominated items and the impact of a change in the exchange rates are as follows:

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

	<i>Increase / (decrease) in profit or loss</i>	
	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
5% increase / (decrease) in currency exchange rate		
Pound Sterling	810	389
Euro	57	565
Kuwaiti Dinar	1,971	274
Japanese Yen	11	3
Other currencies	41,040	19,208

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 equity price risk exposure arises from equity securities classified as available-for-sale and fair value through profit or loss.

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

	<i>2016</i>		<i>2015</i>	
	<i>Effect on OCI</i> <i>QAR'000</i>	<i>Effect on Income statement</i> <i>QAR'000</i>	<i>Effect on OCI</i> <i>QAR'000</i>	<i>Effect on Income statement</i> <i>QAR'000</i>
5% increase / (decrease) in Qatar Exchange	± 31,016	-	± 35,566	-
5% increase / (decrease) in Other than Qatar Exchange	± 17,193	-	± 24,575	± 634
	± 48,209	-	± 60,141	± 634

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.

Operational risks

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Group has detailed policies and procedures that are regularly updated to ensure a robust internal control mechanism. The Group closely reviews the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation. The Group continues to invest in risk management and mitigation strategies, such as a robust control infrastructure, business continuity management or through risk transfer mechanisms such as insurance and outsourcing.

The Group has a well-defined Operational Risk Management Framework and an independent operational risk function. The Operational Risk Management Committee oversees the implementation of an effective risk management framework that encompasses appropriate systems, practices, policies and procedures to ensure the effectiveness of risk identification, measurement, assessment, reporting and monitoring within the group.

In addition, the Internal Audit department carries out an independent assessment and provides assurance of the actual functioning of the overall Operational Risk Management Framework.

The Group manages operational risk based on a framework that enables the determination of operational risk profile of business units and how it relates to risk measurement, risk mitigation and priorities.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk (continued)

Operational risks (continued)

A number of techniques are applied to effectively manage the operational risk across the Group. These include:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, introduction process of new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by the Group to manage Group-wide operational risk;
- Reporting of any operational risk event, which is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are analyzed, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors; and
- Introduction of a bottom-up 'Control Risk Self-Assessment' across business and support units including subsidiaries and overseas branches. This approach results in detailed understanding of inherent and residual risks with evaluation of controls across the Group. Therefore, it enhances the determination of specific operational risk profile for the business and support units while corrective action points are captured and the changes of the operational risk profile are monitored on an ongoing basis.

Capital management

Regulatory capital

The Group maintains an actively managed capital base to cover the risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Qatar Central Bank.

The primary objective of the Group's capital management is to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities.

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Common Equity Tier 1 Capital	8,247,923	8,327,067
Additional Tier 1 Capital	4,000,000	4,000,000
Additional Tier 2 Capital	<u>126,522</u>	<u>278,118</u>
Total Eligible Capital	<u>12,374,445</u>	<u>12,605,185</u>
Risk weighted assets		
	<i>2016</i> <i>Basel III</i> <i>Risk</i> <i>weighted</i> <i>amount</i> <i>QAR'000</i>	<i>2015</i> <i>Basel III</i> <i>Risk</i> <i>weighted</i> <i>amount</i> <i>QAR'000</i>
Total risk weighted assets for credit risk	72,201,446	73,132,247
Risk weighted assets for market risk	2,275,992	2,414,429
Risk weighted assets for operational risk	<u>4,993,761</u>	<u>4,605,490</u>
	<u>79,471,199</u>	<u>80,152,166</u>

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**Capital management (continued)****Risk weighted assets (continued)**

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Risk weighted assets	79,471,199	80,152,166
Total eligible capital	12,374,994	12,605,185
Risk weighted assets as a percentage of total eligible capital		
Total capital ratio	15.57%	15.73%
CET 1 ratio	10.38%	10.39%

The Bank has followed QCB Basel III capital adequacy ratio ("CAR") with effect from 1 January 2014 in accordance with QCB regulations.

The minimum accepted CAR under QCB Basel III requirements are as follows:

- Minimum total capital ratio limit without Capital Conservation Buffer is 10%
- Minimum total capital ratio limit including Capital Conservation Buffer is 12.63%
- Minimum CET 1 ratio limit including Capital Conservation Buffer and other charges is 8.63%

5 USE OF ESTIMATES AND JUDGEMENTS**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.

Impairment allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in 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.

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 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.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical accounting judgements in applying the Group's accounting policies

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2016:

	<i>Date of valuation</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
Assets measured at fair value:					
Available-for-sale investment securities	31 Dec 2016	6,597,526	1,652,081	-	8,249,607
Investment securities classified as held for trading	31 Dec 2016	5,657	-	-	5,657
Derivative instruments:					
Interest rate swaps	31 Dec 2016	-	55,601	-	55,601
Forward foreign exchange contracts	31 Dec 2016	-	52,145	-	52,145
		<u>6,603,183</u>	<u>1,759,827</u>	<u>-</u>	<u>8,363,010</u>
Assets for which fair values are disclosed (note 7)					
Cash and balances with central banks	31 Dec 2016	-	-	4,260,410	4,260,410
Due from banks	31 Dec 2016	-	-	10,505,250	10,505,250
Loans and advances to customers	31 Dec 2016	-	-	59,186,222	59,186,222
Held to maturity investment securities	31 Dec 2016	3,819,815	2,672,725	-	6,492,540
Other Assets	31 Dec 2016	-	-	554,396	554,396
Liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2016	-	9,149	-	9,149
Forward foreign exchange contracts	31 Dec 2016	-	19,827	-	19,827
		<u>-</u>	<u>28,976</u>	<u>-</u>	<u>28,976</u>
Liabilities for which fair values are disclosed (note 7)					
Due to banks	31 Dec 2016	-	12,275,336	-	12,275,336
Customer deposits	31 Dec 2016	-	55,729,950	-	55,729,950
Debt securities	31 Dec 2016	1,819,598	-	-	1,819,598
Other borrowings	31 Dec 2016	-	4,994,474	-	4,994,474
Other liabilities	31 Dec 2016	-	1,458,503	-	1,458,503

There have been no transfers between Level 1, level 2 and Level 3 fair value measurement during the year.

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Fair value measurement (continued)

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2015:

	<i>Date of valuation</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
Assets measured at fair value:					
Available-for-sale investment securities	31 Dec 2015	5,264,799	1,131,313	-	6,396,112
Investment securities classified as held for trading	31 Dec 2015	16,697	-	-	16,697
Derivative instruments:					
Interest rate swaps	31 Dec 2015	-	5,158	-	5,158
Forward foreign exchange contracts	31 Dec 2015	-	23,718	-	23,718
		<u>5,281,496</u>	<u>1,160,189</u>	<u>-</u>	<u>6,441,685</u>
Assets for which fair values are disclosed (note 7)					
Cash and balances with central banks	31 Dec 2015	-	-	3,562,821	3,562,821
Due from banks	31 Dec 2015	-	-	10,385,414	10,385,414
Loans and advances to customers	31 Dec 2015	-	-	55,595,004	55,595,004
Held to maturity investment securities	31 Dec 2015	4,120,943	1,729,028	-	5,849,971
Other Assets	31 Dec 2015	-	-	592,098	592,098
Liabilities measured at fair value:					
Derivative instruments:					
Interest rate swaps	31 Dec 2015	-	15,635	-	15,635
Forward foreign exchange contracts	31 Dec 2015	-	4,431	-	4,431
		<u>-</u>	<u>20,066</u>	<u>-</u>	<u>20,066</u>
Liabilities for which fair values are disclosed (note 7)					
Due to banks	31 Dec 2015	-	-	8,776,130	8,776,130
Customer deposits	31 Dec 2015	-	-	52,766,613	52,766,613
Debt securities	31 Dec 2015	2,620,025	-	-	2,620,025
Other borrowings	31 Dec 2015	-	-	3,452,534	3,452,534
Other liabilities	31 Dec 2015	-	-	1,434,666	1,434,666

During the reporting period 31 December 2015, there were no transfers between Level 1 and Level 3 fair value measurements.

All unquoted available for sale equity investments amounting to QAR 59.3 million (2015: QAR 61.3 million) are recorded at cost since the fair value cannot be reliably measured.

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 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 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 accounting policies.

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

5 USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

Qualifying hedge relationships

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

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

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.

Going concern

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

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.

6 OPERATING SEGMENTS

The Group organizes and manages its operations by two business segments, which comprise conventional banking and insurance activities.

Conventional Banking

- Corporate Banking provides a range of product and service offerings to business and corporate customers including funded and non-funded credit facilities deposits to corporate customers. It also undertakes funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Retail Banking provides a diversified range of products and services to individuals. The range includes loans, credit cards, deposits and other transactions with retail customers.

Insurance Activities

Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance, arranging deals in investments and advising on investments.

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6 OPERATING SEGMENTS (CONTINUED)

Details of each segment as of and for the year ended 31 December 2016 are stated below:

	2016				Total QAR'000	Insurance QAR'000	Total QAR'000
	Corporate Banking QAR'000	Retail Banking QAR'000	Unallocated QAR'000	Total QAR'000			
Interest income	2,788,502	392,957	-	3,181,459	-	3,181,459	
Net income from insurance activities	-	-	-	-	16,558	16,558	
Other income	439,657	158,228	54,874	652,759	7,265	660,024	
Segmental revenue	3,228,159	551,185	54,874	3,834,218	23,823	3,858,041	
Net impairment loss on loans and advances to customers	(407,216)	(73,008)	-	(480,224)	-	(480,224)	
Impairment loss on investment securities	(138,771)	-	-	(138,771)	(728)	(139,499)	
Segmental profit	1,682,172	478,177	54,874	1,050,765	3,062	1,053,827	
Share of results of the associate	-	-	-	-	-	(46)	
Net profit for the year	1,682,172	478,177	54,874	1,050,765	3,062	1,053,781	
Other information							
Assets	78,461,105	6,970,182	4,657,665	90,088,952	265,654	90,354,606	
Investments in an associate	-	-	-	-	-	10,343	
Total	78,461,105	6,970,182	4,657,665	90,088,952	265,654	90,364,949	
Liabilities	65,790,217	10,404,519	679,716	76,874,458	109,962	76,984,414	
Contingent items	32,881,346	138,605	-	33,019,951	-	33,019,951	

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6 OPERATING SEGMENTS (CONTINUED)

	2015				Total QAR '000	Insurance QAR '000	Total QAR '000
	Corporate Banking QAR '000	Retail Banking QAR '000	Unallocated QAR '000	Total QAR '000			
Interest/similar income	2,414,442	427,733	-	2,842,175	-	2,842,175	
Net income from insurance activities	-	-	-	-	26,923	26,923	
Other income	481,325	174,407	73,428	729,160	7,895	737,055	
Segmental revenue	2,895,767	602,140	73,428	3,571,335	34,818	3,606,153	
Net impairment loss on loans and advances to customers	(250,822)	(62,528)	-	(313,350)	-	(313,350)	
Impairment loss on investment securities	(107,682)	-	-	(107,682)	(1,970)	(109,652)	
Segmental profit				1,341,490	11,871	1,353,361	
Share of results of the associate						168	
Net profit for the year						1,353,529	
Other information							
Assets	70,076,268	7,916,107	5,023,461	83,015,836	264,188	83,280,024	
Investments in an associate						8,908	
Total						83,288,932	
Liabilities	58,628,806	10,579,332	782,521	69,990,659	111,155	70,101,814	
Contingent items	33,471,992	175,627	-	33,647,619	-	33,647,619	

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6 OPERATING SEGMENTS (CONTINUED)

Geographical areas

The following table shows the geographic distribution of the Group's operating income based on the geographical location of where the business is booked by the Group.

	Qatar QAR'000	Other GCC QAR'000	India QAR'000	Total QAR'000
2016				
Net operating income	2,432,893	290,870	25,929	2,749,692
Net profit	1,081,566	(33,909)	6,124	1,053,781
Total assets	80,021,671	9,721,550	621,728	90,364,949
Total liabilities	68,015,770	8,516,098	452,546	76,984,414
2015				
Net operating income	2,507,704	293,025	10,854	2,811,583
Net profit	1,298,516	55,649	(636)	1,353,529
Total assets	73,692,350	9,272,281	324,301	83,288,932
Total liabilities	61,913,681	8,031,429	156,704	70,101,814

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7 FINANCIAL ASSETS AND LIABILITIES

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 profit or loss QAR'000	Held to maturity QAR'000	Loans and receivables QAR'000	Available- for-sale QAR'000	Other amortised cost QAR'000	Total carrying amount QAR'000	Fair value QAR'000
31 December 2016							
Cash and balances with central banks	-	-	4,260,410	-	-	4,260,410	4,260,410
Due from banks	-	-	10,505,250	-	-	10,505,250	10,505,250
Positive fair value of derivatives	107,746	-	-	-	-	107,746	107,746
Loans and advances to customers	-	-	59,186,222	-	-	59,186,222	59,186,222
<i>Investment securities:</i>							
Measured at fair value	5,657	-	-	8,308,860	-	8,314,517	8,314,517
Measured at amortised cost	-	6,391,593	-	-	-	6,391,593	6,492,540
Other assets	-	-	-	-	554,396	554,396	554,396
	113,403	6,391,593	73,951,882	8,308,860	554,396	89,320,134	89,421,081
	28,976					28,976	28,976
Negative fair value of derivatives	-	-	-	-	12,275,336	12,275,336	12,275,336
Due to banks	-	-	-	-	55,729,950	55,729,950	55,729,950
Customer deposits	-	-	-	-	1,819,598	1,819,598	1,819,598
Debt securities	-	-	-	-	4,994,474	4,994,474	4,994,474
Other borrowings	-	-	-	-	1,458,503	1,458,503	1,458,503
Other liabilities	28,976	-	-	-	76,277,861	76,306,837	76,306,837

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7 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 profit or loss QAR '000	Held to maturity QAR '000	Loans and receivables QAR '000	Available- for-sale QAR '000	Other amortised cost QAR '000	Total carrying amount QAR '000	Fair value QAR '000
<i>31 December 2015</i>							
Cash and balances with central banks	-	-	3,562,821	-	-	3,562,821	3,562,821
Due from banks	-	-	10,385,414	-	-	10,385,414	10,385,414
Positive fair value of derivatives	28,876	-	-	-	-	28,876	28,876
Loans and advances to customers	-	-	55,595,004	-	-	55,595,004	55,595,004
<i>Investment securities:</i>							
Measured at fair value	16,697	-	-	6,457,373	-	6,474,070	6,474,070
Measured at amortised cost	-	5,724,162	-	-	-	5,724,162	5,849,971
Other assets	-	-	-	-	592,098	592,098	592,098
	<u>45,573</u>	<u>5,724,162</u>	<u>69,543,239</u>	<u>6,457,373</u>	<u>592,098</u>	<u>82,362,445</u>	<u>82,488,254</u>
Negative fair value of derivatives	20,066	-	-	-	-	20,066	20,066
Due to banks	-	-	-	-	8,776,130	8,776,130	8,776,130
Customer deposits	-	-	-	-	52,766,613	52,766,613	52,766,613
Debt securities	-	-	-	-	2,587,728	2,587,728	2,620,025
Other borrowings	-	-	-	-	3,452,534	3,452,534	3,452,534
Other liabilities	-	-	-	-	1,434,666	1,434,666	1,434,666
	<u>20,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,017,671</u>	<u>69,037,737</u>	<u>69,070,034</u>

Investment securities – unquoted equity securities at cost

The above table includes to QAR 59.3 million (2015: QAR 61.3 million) at 31 December 2016 of unquoted equity investments in both the carrying amount and fair value columns that were measured at cost and for which disclosure of fair value was not provided because their fair value was not considered to be reliably measureable.

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At 31 December 2016

8 CASH AND BALANCES WITH CENTRAL BANKS

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Cash	435,960	476,160
Cash reserve with QCB*	1,926,658	2,042,869
Cash reserve with other central banks*	110,854	120,341
Other balances with central banks	<u>1,786,938</u>	<u>923,451</u>
	<u>4,260,410</u>	<u>3,562,821</u>

*Cash reserve with QCB and other central banks are mandatory reserves that are not available for use in the Group's day to day operations.

9 DUE FROM BANKS

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Current accounts	1,331,053	468,556
Placements	5,124,797	4,995,184
Loans to banks	<u>4,049,400</u>	<u>4,921,674</u>
	<u>10,505,250</u>	<u>10,385,414</u>

10 LOANS AND ADVANCES TO CUSTOMERS

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Loans	54,456,707	51,679,322
Overdrafts	5,903,930	4,517,287
Bills discounted	520,874	328,339
Other loans*	<u>715,293</u>	<u>1,158,228</u>
(Note-i)	<u>61,596,804</u>	<u>57,683,176</u>
Less :		
Deferred profit	(1,343)	(17,876)
Specific impairment of loans and advances to customers	(2,282,717)	(1,946,833)
Collective impairment allowance	<u>(126,522)</u>	<u>(123,463)</u>
Net loans and advances to customers	<u>59,186,222</u>	<u>55,595,004</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The aggregate amount of non-performing loans and advances to customers amounted QAR 2,012.3 million, which represents 3.27% of total loans and advances to customers (2015: QAR 1,881.2 million, 3.26% of total loans and advances to customers).

During the year, the Group has written-off fully provided non-performing loans amounting to QAR 290.7 million (2015: QAR 111.2) as per Qatar Central Bank circular no. 68/2011.

Specific impairment of loans and advances to customers includes QAR 457.0 million of interest in suspense (2015: QAR 368.7 million).

*This includes acceptances pertaining to trade finance amounting to QAR 308 million (2015: QAR 716.8 million).

Note-i:

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Government and related agencies	4,906,445	3,557,633
Corporate	45,826,545	43,225,569
Retail	<u>10,863,814</u>	<u>10,899,974</u>
	<u>61,596,804</u>	<u>57,683,176</u>

By industry

<i>At 31 December 2016</i>	<i>Loans</i> <i>QAR'000</i>	<i>Overdrafts</i> <i>QAR'000</i>	<i>Bills</i> <i>discounted</i> <i>QAR'000</i>	<i>Other</i> <i>loans</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
Government and related agencies	2,359,726	2,546,719	-	-	4,906,445
Non-banking financial institutions	1,750,013	-	-	-	1,750,013
Industry	1,551,236	53,450	67,707	17,278	1,689,671
Commercial	8,290,573	961,795	145,951	273,710	9,672,029
Services	6,352,930	249,268	161,080	11,564	6,774,842
Contracting	9,090,955	1,248,194	95,194	310,208	10,744,551
Real estate	14,147,652	315,635	40,013	11,496	14,514,796
Personal	10,320,926	462,389	7,823	72,676	10,863,814
Others	<u>592,696</u>	<u>66,480</u>	<u>3,106</u>	<u>18,361</u>	<u>680,643</u>
	<u>54,456,707</u>	<u>5,903,930</u>	<u>520,874</u>	<u>715,293</u>	<u>61,596,804</u>
Less: Deferred profit					(1,343)
Specific impairment of loans and advances to customers					(2,282,717)
Collective impairment allowance					<u>(126,522)</u>
					<u>59,186,222</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

By industry (continued)

<i>At 31 December 2015</i>	<i>Loans QAR'000</i>	<i>Overdrafts QAR'000</i>	<i>Bills discounted QAR'000</i>	<i>Other loans QAR'000</i>	<i>Total QAR'000</i>
Government and related agencies	2,597,853	943,855	-	15,925	3,557,633
Non-banking financial institutions	2,306,255	186,137	-	-	2,492,392
Industry	2,713,233	64,567	82,179	5,551	2,865,530
Commercial	7,769,002	846,409	109,388	645,325	9,370,124
Services	5,749,818	288,621	52,035	10,899	6,101,373
Contracting	8,525,823	1,237,616	49,726	241,193	10,054,358
Real estate	11,234,959	302,620	23,277	26,389	11,587,245
Personal	10,160,182	549,257	124	190,411	10,899,974
Others	622,197	98,205	11,610	22,535	754,547
	<u>51,679,322</u>	<u>4,517,287</u>	<u>328,339</u>	<u>1,158,228</u>	<u>57,683,176</u>
Less: Deferred profit					(17,876)
Specific impairment of loans and advances to customers					(1,946,833)
Collective impairment allowance					(123,463)
					<u>55,595,004</u>

Movement in impairment loss on loans and advances to customers

	<i>2016 QAR'000</i>	<i>2015 QAR'000</i>
Balance at 1 January	2,070,296	1,775,385
Foreign currency translation	(895)	(2,476)
Provisions made during the year	753,184	559,409
Recoveries during the year	(98,360)	(132,046)
Net allowance for impairment during the year*	654,824	427,363
Written off/transfers during the year	(314,986)	(129,976)
Balance at 31 December	<u>2,409,239</u>	<u>2,070,296</u>

*The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations amounting to QAR 174.6 million during the year (2015: QAR 113.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

10 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Movement in impairment loss on loans and advances to customers (continued)

Reconciliations of the allowance for impairment losses for loans and advances to customers, by class, is as follows:

	<i>Corporate lending QAR'000</i>	<i>SME lending QAR'000</i>	<i>Retail lending QAR'000</i>	<i>Real estate mortgage lending QAR'000</i>	<i>Total QAR'000</i>
Balance at 1 January	1,553,606	68,745	362,421	85,524	2,070,296
Foreign currency translation	(681)	-	(214)	-	(895)
Provisions made during the year	618,295	18,529	109,429	6,931	753,184
Recoveries during the year	(31,279)	(4,907)	(32,971)	(29,203)	(98,360)
Written off during the year	(179,279)	(21,978)	(97,382)	(16,347)	(314,986)
Balance at 31 December 2016	1,960,662	60,389	341,283	46,905	2,409,239

	<i>Corporate lending QAR'000</i>	<i>SME lending QAR'000</i>	<i>Retail lending QAR'000</i>	<i>Real estate mortgage lending QAR'000</i>	<i>Total QAR'000</i>
Balance at 1 January	1,274,387	53,622	365,996	81,380	1,775,385
Foreign currency translation	(1,829)	-	(647)	-	(2,476)
Provisions made during the year	430,395	20,482	102,407	6,125	559,409
Recoveries during the year	(99,367)	(1,422)	(29,276)	(1,981)	(132,046)
Written off during the year	(49,980)	(3,937)	(76,059)	-	(129,976)
Balance at 31 December 2015	1,553,606	68,745	362,421	85,524	2,070,296

11 INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	<i>2016 QAR'000</i>	<i>2015 QAR'000</i>
Available-for-sale	8,524,454	6,656,781
Investment securities classified as held for trading	5,657	16,697
Held-to-maturity*	<u>6,405,787</u>	<u>5,738,356</u>
	14,935,898	12,411,834
Impairment losses	<u>(229,788)</u>	<u>(213,602)</u>
Total	<u>14,706,110</u>	<u>12,198,232</u>

*The Group has pledged State of Qatar Bonds amounting to QAR 2,545 million (2015: QAR 2,829 million) against repurchase agreements.

At 31 December 2016

11 INVESTMENT SECURITIES (CONTINUED)

Available-for-sale

	2016		2015	
	Quoted QAR'000	Unquoted QAR'000	Quoted QAR'000	Unquoted QAR'000
Equities	1,109,292	68,042	1,349,144	70,166
State of Qatar debt securities	3,282,312	1,652,005	2,119,273	1,129,283
Other debt securities	2,293,850	76	1,862,680	2,030
Mutual funds	118,877	-	124,205	-
Less: Impairment losses	(206,805)	(8,789)	(190,503)	(8,905)
Total	6,597,526	1,711,334	5,264,799	1,192,574

Fixed rate securities and floating rate securities amounted to QAR 7,130 million and QAR 98.7 million respectively as of 31 December 2016 (2015: QAR 5,100 million and QAR 10 million respectively).

Investment securities classified as held for trading

The investment securities classified as held for trading comprise quoted bonds amounted to QAR 5.7 million. (2015: Quoted bonds amounting to QAR 5.3 million and quoted equity amounting to QAR 11.4 million).

Held-to-maturity

	2016		2015	
	Quoted QAR'000	Unquoted QAR'000	Quoted QAR'000	Unquoted QAR'000
-By issuer				
State of Qatar debt securities	3,351,341	1,675,596	2,943,952	1,710,820
Other debt securities	381,721	997,129	395,642	687,942
Less: Impairment losses	(14,194)	-	(14,194)	-
Total	3,718,868	2,672,725	3,325,400	2,398,762
-By interest rate				
Fixed rate securities	3,733,062	2,672,725	3,300,630	2,398,762
Floating rate securities	-	-	38,964	-
Less: Impairment losses	(14,194)	-	(14,194)	-
Total	3,718,868	2,672,725	3,325,400	2,398,762

The fair value of held-to-maturity investments amounted to QAR 6,391 million at 31 December 2016 (2015: QAR 5,850 million).

Movement in impairment losses on investment securities

	2016 QAR'000	2015 QAR'000
Balance at 1 January	213,602	122,795
Provision for impairment loss during the year	139,499	109,652
Transferred to consolidated income statement on disposal	(123,313)	(18,845)
Balance at 31 December	229,788	213,602

12 INVESTMENT IN AN ASSOCIATE

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Balance at 1 January	8,908	9,244
Foreign currency translation	(257)	(439)
Acquisition during the year	1,738	-
Share of results	(46)	168
Cash dividend	-	(65)
Balance at 31 December	<u>10,343</u>	<u>8,908</u>

The financial position and results of the associates based on audited financial statements, as at and for the year ended 31 December is as follows:

31 December	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Total assets	<u>30,140</u>	<u>31,903</u>
Total liabilities	<u>16,295</u>	<u>16,690</u>
Total revenue	<u>8,300</u>	<u>9,038</u>
(Loss) / profit	<u>(104)</u>	<u>382</u>
Share of (loss)/ profit	<u>(46)</u>	<u>168</u>

13 PROPERTY, FURNITURE AND EQUIPMENT

	<i>Land and buildings QAR'000</i>	<i>Leasehold improvements QAR'000</i>	<i>Furniture and equipment QAR'000</i>	<i>Vehicles QAR'000</i>	<i>Total QAR'000</i>
At 31 December 2016					
Cost:					
Balance at 1 January	821,100	156,429	449,557	11,931	1,439,017
Additions/ transfers	91	26,169	62,196	687	89,143
Disposals/Write-off	(9,681)	(2,907)	(18,542)	(2,884)	(34,014)
	<u>811,510</u>	<u>179,691</u>	<u>493,211</u>	<u>9,734</u>	<u>1,494,146</u>
Depreciation:					
Balance at 1 January	187,558	121,561	333,556	10,555	653,230
Depreciation	32,673	13,210	47,127	632	93,642
Disposals/Write-off	(320)	(2,908)	(17,460)	(2,883)	(23,571)
	<u>219,911</u>	<u>131,863</u>	<u>363,223</u>	<u>8,304</u>	<u>723,301</u>
Net Book Value	<u>591,599</u>	<u>47,828</u>	<u>129,988</u>	<u>1,430</u>	<u>770,845</u>
	<i>Land and buildings QAR'000</i>	<i>Leasehold improvements QAR'000</i>	<i>Furniture and equipment QAR'000</i>	<i>Vehicles QAR'000</i>	<i>Total QAR'000</i>
At 31 December 2015					
Cost:					
Balance at 1 January	768,420	146,586	417,237	12,536	1,344,779
Additions/ transfers	61,672	9,856	35,596	794	107,918
Disposals	(8,992)	(13)	(3,276)	(1,399)	(13,680)
	<u>821,100</u>	<u>156,429</u>	<u>449,557</u>	<u>11,931</u>	<u>1,439,017</u>
Depreciation:					
Balance at 1 January	162,743	109,593	300,375	11,057	583,768
Depreciation	32,927	11,976	36,239	658	81,800
Disposals	(8,112)	(8)	(3,058)	(1,160)	(12,338)
	<u>187,558</u>	<u>121,561</u>	<u>333,556</u>	<u>10,555</u>	<u>653,230</u>
Net Book Value	<u>633,542</u>	<u>34,868</u>	<u>116,001</u>	<u>1,376</u>	<u>785,787</u>

14 OTHER ASSETS

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Interest receivable	165,942	185,125
Prepaid expenses	53,573	109,306
Positive fair value of derivatives (Note 34)	107,746	28,876
Deferred tax asset	89,177	51,521
Sundry debtors	2,122	22,023
Others	507,209	355,915
	<u>925,769</u>	<u>752,766</u>

15 DUE TO BANKS

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Balances due to central banks	728,300	375,141
Current accounts	208,068	179,272
Certificate of deposits	700,000	-
Short-term loan from banks	8,272,925	5,828,771
Repo borrowings*	2,366,043	2,392,946
	<u>12,275,336</u>	<u>8,776,130</u>

*Collateral details relating to Repo borrowings are disclosed in Note 11.

16 CUSTOMER DEPOSITS

By type

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Current and call deposits	10,022,348	10,885,356
Saving deposits	2,312,654	2,502,901
Time deposits	43,394,948	39,378,356
	<u>55,729,950</u>	<u>52,766,613</u>

By sector

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Government and semi government agencies	21,543,253	21,696,932
Individuals	10,218,732	10,429,439
Corporates	22,291,246	17,571,977
Non-banking financial institutions	1,676,719	3,068,265
	<u>55,729,950</u>	<u>52,766,613</u>

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17 DEBT SECURITIES

The Group has issued subordinated debt notes and senior guaranteed notes as follows:

	2016 QAR'000	2015 QAR'000
Subordinated debt notes (a)	-	772,736
Senior guaranteed notes (b)	<u>1,819,598</u>	<u>1,814,992</u>
	<u>1,819,598</u>	<u>2,587,728</u>

Note (a)

On 12 December 2006, the Group issued US\$ 340 million subordinated floating rate step up notes at a nominal value of US\$ 100,000 per note, and carry interest at three months US\$ LIBOR plus 1.32% per annum payable. The notes matured in December 2016.

Note (b)

On 14 March 2012, the Group issued US\$ 500 million senior guaranteed notes at 98.964% of the nominal value. The notes have a minimum nominal denomination of US\$ 200,000. The notes mature in 2017 and carry interest at fixed rate of 3.50% payable semi-annually.

18 OTHER BORROWINGS

	2016 QAR'000	2015 QAR'000
Term loan facilities	<u>4,994,474</u>	<u>3,452,534</u>

The table below shows the maturity profile of other borrowings.

	2016 QAR'000	2015 QAR'000
Up to 1 year	3,293,026	276,378
Between 1 and 3 years	<u>1,701,448</u>	<u>3,176,156</u>
	<u>4,994,474</u>	<u>3,452,534</u>

19 OTHER LIABILITIES

	2016 QAR'000	2015 QAR'000
Interest payable	281,650	214,633
Accrued expense payable	58,030	84,505
Provision for end of service benefits (Note-i)	125,207	216,122
Staff provident fund*	58,231	99,524
Tax payable	31,308	25,884
Negative fair value of derivatives (Note 34)	28,976	20,066
Unearned income	83,387	70,108
Cash margins	315,179	297,284
Dividend payable	48,178	39,704
Unclaimed balances	8,240	9,755
Proposed transfer to social and sport fund	26,345	34,343
Others**	<u>1,100,325</u>	<u>1,406,881</u>
Total	<u>2,165,056</u>	<u>2,518,809</u>

* Staff provident fund contribution was ceased effective July 2016 except for the Qatari and other GCC nationals.

**This includes acceptances pertaining to trade finance amounting to QAR 308 million (2015: QAR 716.8 million).

19 OTHER LIABILITIES (CONTINUED)*Note-i***Provision for end of service benefits**

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Balance at 1 January	216,122	193,505
Provision for the year	35,245	39,467
Provisions used during the year*	<u>(126,160)</u>	<u>(16,850)</u>
Balance at 31 December	<u>125,207</u>	<u>216,122</u>

* 50% of the end of service benefits have been paid to all staff during the year

20 EQUITY**a. Share capital**

	<i>Ordinary shares</i>	
	<i>2016</i>	<i>2015</i>
<i>In thousands of shares</i>		
On issue at the beginning of the reporting period	<u>258,372</u>	<u>258,372</u>
On issue at 31 December	<u>258,372</u>	<u>258,372</u>

At 31 December 2016, the authorised share capital comprised 258,372 thousands ordinary shares (2015: 258,372 thousands). These instruments have a par value of QAR 10. All issued shares are fully paid.

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 meetings of the Group.

b. Legal reserve

In accordance with Qatar Central Bank's Law No. 13 of 2012, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 11 of 2015 and is subject to the approval of QCB.

The legal reserve includes share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law 11 of 2015.

c. Risk reserve

In accordance with the Qatar Central Bank regulations, a minimum requirement of 2.5% of the net loans and advances to customers except for facilities granted to Government, is required as risk reserve to cover any contingencies.

For the year ended 31 December 2016 the Group has transferred QAR 80 million (2015: QAR 152 million) into the risk reserve which is 2.5% of the net loans and advances to customers except for facilities granted to Government.

20 EQUITY (CONTINUED)**d. Fair value reserve**

This reserve comprises the fair value changes recognised on available-for-sale financial assets.

	2016 QAR'000	2015 QAR'000
Balance at 1 January	(269,676)	(57,574)
Net unrealized (loss) gain on available-for-sale investment securities	(34,035)	(296,132)
Reclassified to consolidated statement of Income	200,299	84,030
Net change in fair value of available – for – sale investment securities	<u>166,264</u>	<u>(212,102)</u>
Balance at 31 December	<u>(103,412)</u>	<u>(269,676)</u>

e. Foreign currency translation reserve

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

f. Proposed dividend

The Board of Directors of the Group has proposed a cash dividend of 30 % of paid up share capital amounting to QAR 775.1 million - QAR 3.00 per share (2015: 30% of paid up share capital amounting to QAR 775.1 million - QAR 3.00 per share) which is subject to approval at the Annual General Meeting of the shareholders.

g. Instrument eligible as additional capital

	2016 QAR'000	2015 QAR'000
Issued on 31 December 2013	2,000,000	2,000,000
Issued on 30 June 2015	<u>2,000,000</u>	<u>2,000,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>

The Group has issued regulatory Tier 1 capital notes totaling to QAR 4 billion. These notes are perpetual, subordinated, unsecured and each has been priced at a fixed rate for the first six years and shall be re-priced thereafter. The coupon is discretionary and the event on non-payment is not considered as an event of default. The notes carry no maturity date and have been classified under Tier 1 capital.

21 INTEREST INCOME

	2016 QAR'000	2015 QAR'000
Balance with central banks	1,774	6,701
Due from banks and non-banking financial institutions	100,393	117,930
Debt securities	459,343	383,163
Loans and advances to customers	<u>2,619,949</u>	<u>2,334,381</u>
	<u>3,181,459</u>	<u>2,842,175</u>

22 INTEREST EXPENSE

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Due to banks	231,118	110,545
Customer deposits	798,725	607,625
Debt securities	<u>78,506</u>	<u>76,400</u>
	<u>1,108,349</u>	<u>794,570</u>

23 FEE AND COMMISSION INCOME

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Credit related fees	108,741	139,749
Brokerage fees	645	586
Bank services fee	232,601	229,023
Commission on unfunded facilities	134,113	136,420
Others	<u>26,848</u>	<u>31,519</u>
	<u>502,948</u>	<u>537,297</u>

24 FEE AND COMMISSION EXPENSE

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Bank fees	1,185	1,314
Others	<u>41,984</u>	<u>39,438</u>
	<u>43,169</u>	<u>40,752</u>

25 FOREIGN EXCHANGE GAIN

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Dealing in foreign currencies	47,169	21,439
Revaluation of assets and liabilities	<u>55,077</u>	<u>76,102</u>
	<u>102,246</u>	<u>97,541</u>

26 INCOME FROM INVESTMENT SECURITIES

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Net (loss) / gains on investment securities	(5,095)	30,673
Dividend income	<u>48,215</u>	<u>38,868</u>
	<u>43,120</u>	<u>69,541</u>

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27 OTHER OPERATING INCOME

	2016 QAR'000	2015 QAR'000
Recoveries from loans and advances to customers previously written-off	28,875	35,196
Rental income	12,509	12,903
Others	13,495	25,329
	<u>54,879</u>	<u>73,428</u>

28 STAFF COSTS

	2016 QAR'000	2015 QAR'000
Staff cost	469,159	465,692
Staff pension fund costs	9,845	11,369
End of service benefits	35,245	39,467
Training	2,055	3,996
	<u>516,304</u>	<u>520,524</u>

29 OTHER EXPENSES

	2016 QAR'000	2015 QAR'000
Advertising	33,424	36,355
Professional fees	42,529	28,391
Communication and insurance	51,841	49,801
Board of Directors' remuneration	15,221	15,339
Occupancy and maintenance	100,686	88,932
Computer and IT costs	38,159	29,069
Printing and stationary	11,734	14,695
Travel and entertainment costs	7,189	8,269
Others	167,196	157,476
	<u>467,979</u>	<u>428,327</u>

30 TAX EXPENSE

	2016 QAR'000	2015 QAR'000
Current tax expense		
Current year	32,207	25,701
Adjustments for prior years	29	100
	<u>32,236</u>	<u>25,801</u>
Deferred tax expense		
Temporary differences	(34,019)	(21,232)
	<u>(34,019)</u>	<u>(21,232)</u>
Income tax (reversal)/expense reported in the statement of income	<u>(1,783)</u>	<u>4,569</u>

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31 BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share of the Group is calculated by dividing profit for the year attributable to the equity holders (further adjusted for interest expense on tier 1 capital notes) of the Bank by the weighted average number of ordinary shares in outstanding during the year:

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Profit for the year attributable to the equity holders of the Group	1,053,781	1,353,529
Deduct : Interest on Tier 1 capital notes	<u>(220,000)</u>	<u>(170,000)</u>
Net profit attributable to equity holders of the Group	833,781	1,183,529
Weighted average number of outstanding shares (in thousands)	<u>258,372</u>	<u>258,372</u>
Earnings per share (QAR)	<u>3.23</u>	<u>4.58</u>

The weighted average number of shares are as follows:

	<i>2016</i>	<i>2015</i>
<i>In thousands of shares</i>		
Weighted average number of shares at 31 December	<u>258,372</u>	<u>258,372</u>

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Contingent liabilities		
Unused facilities	3,577,504	7,253,819
Guarantees	22,246,187	23,335,322
Letters of credit	7,196,260	3,058,478
Others	<u>161,142</u>	<u>49,052</u>
Total	<u>33,181,093</u>	<u>33,696,671</u>
Other commitments		
Forward foreign exchange contracts	30,696,684	11,017,638
Interest rate swaps	<u>1,822,890</u>	<u>949,275</u>
Total	<u>32,519,574</u>	<u>11,966,913</u>

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire within a year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

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 has entered into commercial leases on certain buildings. These leases have an average duration between three and five years. There are no restrictions placed upon the Group by entering into these leases.

32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS (CONTINUED)

Future minimum lease payments under non-cancellable leases as at December 31 are as follow:

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Less than one year	14,375	22,198
Between one and five years	21,830	20,944
More than five years	<u>2,584</u>	<u>3,820</u>
	<u>38,789</u>	<u>46,962</u>

33 CASH AND CASH EQUIVALENTS

	<i>2016</i> <i>QAR'000</i>	<i>2015</i> <i>QAR'000</i>
Cash and balances with central banks*	2,222,899	1,399,611
Due from banks and other financial institutions maturing within 3 months	<u>6,693,115</u>	<u>6,157,790</u>
	<u>8,916,014</u>	<u>7,557,401</u>

*Cash and balances with central banks do not include the mandatory cash reserve.

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34 DERIVATIVES

	Positive fair value QAR'000	Negative fair value QAR'000	Notional Amount QAR'000	Notional / expected amount by term to maturity			
				within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
At 31 December 2016:							
Derivatives held for trading:							
Forward foreign exchange contracts	52,145	19,827	30,696,684	26,292,656	4,404,028	-	-
Derivatives held for fair value hedges:							
Interest rate swaps	55,601	9,149	1,822,890	-	25,491	733,398	1,064,001

	Positive fair value QAR'000	Negative fair value QAR'000	Notional Amount QAR'000	Notional / expected amount by term to maturity			
				within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
At 31 December 2015:							
Derivatives held for trading:							
Forward foreign exchange contracts	23,718	4,431	11,017,638	5,661,317	3,030,820	2,325,501	-
Derivatives held for fair value hedges:							
Interest rate swaps	5,158	15,635	949,275	-	-	232,692	716,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2016

35 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, Related parties include entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group. The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

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

	2016		2015	
	<i>Board of directors</i> <i>QAR'000</i>	<i>Others</i> <i>QAR'000</i>	<i>Board of directors</i> <i>QAR'000</i>	<i>Others</i> <i>QAR'000</i>
Assets:				
Loans and advances to customers	1,350,895	-	1,280,508	-
Liabilities:				
Customer deposits	394,631	19,506	404,306	4,723
Unfunded items:				
Contingent liabilities and other commitments	754,262	-	931,377	-
Other assets	8,305	-	8,305	-
Income statement items:				
Interest , commission and other income	40,669	-	35,022	-
Interest, commission and other expense	7,825	515	6,698	270

No impairment losses have been recorded against balances outstanding during the period with key management personnel.

Key management personnel compensation for the year comprised:

	2016 <i>QAR'000</i>	2015 <i>QAR'000</i>
Salaries and other benefits	57,282	61,394
End of service indemnity benefits and provident fund	<u>6,352</u>	<u>7,685</u>
	<u>63,634</u>	<u>69,079</u>

36 BUSINESS COMBINATION**Acquisitions in 2015**

On 1 April 2015, the Group acquired the business of HSBC Bank Oman S.A.O.G.'s Mumbai and Kochi branches which specialise in corporate and retail Banking. The acquisition has been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of HSBC Bank Oman S.A.O.G.'s Mumbai and Kochi branches as at the date of acquisition were:

	<i>Fair value recognised on acquisition QAR'000</i>
Assets	
Property, furniture and equipment	30,649
Cash and balances with central banks	5,026
Due from banks	86,956
Loans and advances to customers	425
Investment securities	17,919
Other assets	7,140
	<u>148,115</u>
Liabilities	
Customer deposits	71,075
Other liabilities	2,086
	<u>73,161</u>
Total identifiable net assets at fair value	74,954
Gain on bargain purchase arising on acquisition	<u>(388)</u>
Purchase consideration transferred	<u>74,566</u>
<i>Analysis of cash flows on acquisition:</i>	
Net cash acquired with the branches	91,982
Cash paid	<u>(74,566)</u>
Net cash flows on acquisition (included in cash flows from investing activities)	<u>17,416</u>

37 EVENTS AFTER REPORTING DATE

At the first meeting of the Board of Directors in year 2017 held on 22 January 2017, the Board of directors has resolved to increase 20% of the current paid-up share capital through the issuing of new shares to the Group's existing shareholders who are registered at Qatar Exchange, at the close of business on 15 March 2017, at a premium of QAR 15 in addition to a nominal value of QAR 10 per share.

38 FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	2016 QAR'000	2015 QAR'000
ASSETS		
Cash and balances with central banks	4,260,410	3,562,821
Due from banks	10,434,909	10,330,715
Loans and advances to customers	59,186,222	55,595,004
Investment securities	14,707,791	12,198,968
Investment in an associate	10,343	8,908
Property, furniture and equipment	770,292	785,461
Other assets	<u>848,286</u>	<u>692,672</u>
TOTAL ASSETS	<u>90,218,253</u>	<u>83,174,549</u>
LIABILITIES		
Due to banks	12,275,336	8,776,130
Customer deposits	55,745,593	52,803,580
Debt securities	1,819,598	2,587,728
Other borrowings	4,994,474	3,452,534
Other liabilities	<u>2,058,409</u>	<u>2,420,492</u>
TOTAL LIABILITIES	<u>76,893,410</u>	<u>70,040,464</u>
EQUITY		
Share capital	2,583,723	2,583,723
Legal reserve	4,305,737	4,305,737
Risk reserve	1,372,000	1,292,000
Fair value reserves	(100,001)	(266,667)
Foreign currency translation reserve	(24,991)	(19,825)
Proposed dividend	775,117	775,117
Retained earnings	<u>413,258</u>	<u>464,000</u>
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	<u>9,324,843</u>	<u>9,134,085</u>
Instrument eligible as additional capital	<u>4,000,000</u>	<u>4,000,000</u>
TOTAL EQUITY	<u>13,324,843</u>	<u>13,134,085</u>
TOTAL LIABILITIES AND EQUITY	<u>90,218,253</u>	<u>83,174,549</u>

38 FINANCIAL STATEMENTS OF THE PARENT BANK (CONTINUED)

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

Income Statement – Parent Bank (continued)

For the year ended 31 December	2016 QAR'000	2015 QAR'000
Interest income	3,181,459	2,842,175
Interest expense	<u>(1,109,061)</u>	<u>(795,248)</u>
Net interest income	<u>2,072,398</u>	<u>2,046,927</u>
Fee and commission income	502,948	543,848
Fee and commission expense	<u>(43,169)</u>	<u>(47,303)</u>
Net fee and commission income	<u>459,779</u>	<u>496,545</u>
Foreign exchange gain	102,246	97,541
Income from investment securities	41,556	68,432
Other operating income	<u>54,541</u>	<u>70,787</u>
	<u>198,343</u>	<u>236,760</u>
Net operating income	2,730,520	2,780,232
Staff costs	(505,068)	(509,044)
Depreciation and amortisation	(93,388)	(81,602)
Impairment loss on investment securities and due from banks	(138,771)	(107,682)
Net impairment loss on loans and advances to customers	(480,224)	(313,350)
Other expenses	<u>(464,462)</u>	<u>(423,757)</u>
	<u>(1,681,913)</u>	<u>(1,435,435)</u>
Profit for the year before tax	1,048,607	1,344,797
Tax (reversal)/expense	<u>2,158</u>	<u>(3,307)</u>
Profit for the year	<u>1,050,765</u>	<u>1,341,490</u>