

**DOHA BANK Q.S.C.
DOHA - QATAR**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2016

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF DOHA BANK Q.S.C.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Doha Bank Q.S.C. (the "Bank") and its subsidiaries (the "Group") as at 30 September 2016, comprising of the interim consolidated statement of financial position as at 30 September 2016 and the related interim consolidated statements of income and comprehensive income for the three-month and Nine-month period ended 30 September 2016, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the Nine-month period then ended, and the related explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting* ("IAS 34") and the applicable provisions of Qatar Central Bank regulations. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 and the applicable provisions of Qatar Central Bank regulations.

Firas Qoussous
Of Ernst & Young
Auditor's Registration No: 236

Date: 19 October 2016
Doha

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

		30 September 2016	30 September 2015	31 December 2015
	<i>Notes</i>	(Reviewed) QAR'000	(Reviewed) QAR'000	(Audited) QAR'000
Assets				
Cash and balances with central banks		3,855,503	3,593,332	3,562,821
Due from banks		8,620,859	10,153,286	10,385,414
Loans and advances to customers	5	55,578,291	54,415,897	55,615,185
Investment securities	6	14,434,715	12,586,491	12,198,232
Investment in an associate		8,813	8,874	8,908
Property, furniture and equipment		779,458	756,002	785,787
Other assets		1,172,394	794,210	752,766
Total assets		84,450,033	82,308,092	83,309,113
Liabilities				
Due to banks		11,822,326	10,209,316	8,776,130
Customer deposits		48,600,907	52,039,022	52,766,613
Debt securities	7	2,591,666	2,586,415	2,587,728
Other borrowings	8	5,954,894	1,639,586	3,452,534
Other liabilities		2,030,833	2,576,805	2,518,809
Total liabilities		71,000,626	69,051,144	70,101,814
Equity				
Share capital		2,583,723	2,583,723	2,583,723
Legal reserve		4,316,950	4,313,177	4,316,950
Risk reserve		1,292,000	1,140,000	1,292,000
Fair value reserve	9	(219,579)	(194,353)	(269,676)
Foreign currency translation reserve		(21,717)	(18,441)	(19,825)
Proposed dividends	10	-	-	775,117
Retained earnings		1,498,030	1,432,842	529,010
Total equity attributable to shareholders of the Bank		9,449,407	9,256,948	9,207,299
Instrument eligible as additional capital	11	4,000,000	4,000,000	4,000,000
Total equity		13,449,407	13,256,948	13,207,299
Total liabilities and equity		84,450,033	82,308,092	83,309,113

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 15 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the Nine months ended 30 September 2016

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>30 September 2016 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>30 September 2016 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>
Interest income	809,883	723,294	2,362,561	2,080,748
Interest expense	(294,473)	(205,297)	(805,041)	(555,705)
Net interest income	515,410	517,997	1,557,520	1,525,043
Fee and commission income	111,487	114,330	353,404	351,931
Fee and commission expense	(2,055)	(1,211)	(5,238)	(4,414)
Net fee and commission income	109,432	113,119	348,166	347,517
Gross written premium	24,211	31,032	68,476	72,230
Premium ceded	(12,939)	(15,880)	(34,042)	(31,248)
Net claims paid	(8,950)	(6,462)	(20,927)	(20,397)
Net income from insurance activities	2,322	8,690	13,507	20,585
Foreign exchange gain	27,080	19,793	72,910	71,801
Income from investment securities	12,474	23,645	51,659	83,172
Other operating income	13,054	13,532	41,361	44,831
	52,608	56,970	165,930	199,804
Net operating income	679,772	696,776	2,085,123	2,092,949
Staff cost	(135,306)	(127,659)	(385,586)	(395,615)
Depreciation	(24,407)	(20,254)	(68,672)	(60,625)
Impairment losses on investment securities	(26,040)	(37,872)	(96,442)	(52,649)
Net impairment loss on loans and advances to customers	(77,645)	(72,669)	(181,791)	(141,689)
Other expenses	(105,460)	(95,813)	(329,280)	(292,821)
	(368,858)	(354,267)	(1,061,771)	(943,399)
Profit for the period before tax	310,914	342,509	1,023,352	1,149,550
Income tax expense	(290)	(1,659)	(4,332)	(7,241)
Profit for the period	310,624	340,850	1,019,020	1,142,309
Basic and diluted earnings per share (QAR)	1.20	1.32	3.75	4.42
Weighted average number of shares	258,372,252	258,372,252	258,372,252	258,372,252

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Nine months ended 30 September 2016

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>30</i>	<i>30</i>	<i>30</i>	<i>30</i>
	<i>September</i>	<i>September</i>	<i>September</i>	<i>September</i>
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>Note</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>	<i>(Reviewed)</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
Profit for the period	310,624	340,850	1,019,020	1,142,309
Other comprehensive income:				
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation difference for foreign operations	1,758	(5,364)	(1,892)	(7,846)
Net change in fair value of available-for-sale investment securities	9 53,595	(147,827)	50,097	(136,779)
Net other comprehensive income to be classified to profit and loss in subsequent periods	55,353	(153,191)	48,205	(144,625)
<i>Items not to be reclassified to profit or loss in subsequent periods</i>	-	-	-	-
Other comprehensive income(loss)	55,353	(153,191)	48,205	(144,625)
Total comprehensive income for the period	365,977	187,659	1,067,225	997,684

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Nine months ended 30 September 2016

Equity attributable to shareholders of the Bank

	Share capital QAR'000	Legal reserve QAR'000	Risk reserve QAR'000	Fair value reserve QAR'000	Foreign exchange translation reserve QAR'000	Proposed dividends QAR'000	Retained earnings QAR'000	Total QAR'000	Instrument eligible as additional capital QAR'000	Total QAR'000
Balance at 1 January 2016 (Audited)	2,583,723	4,316,950	1,292,000	(269,676)	(19,825)	775,117	529,010	9,207,299	4,000,000	13,207,299
Profit for the period	-	-	-	-	-	-	1,019,020	1,019,020	-	1,019,020
Other comprehensive income	-	-	-	50,097	(1,892)	-	-	48,205	-	48,205
Total comprehensive income for the period	-	-	-	50,097	(1,892)	-	1,019,020	1,067,225	-	1,067,225
Dividends paid (Note 10)	-	-	-	-	-	(775,117)	-	(775,117)	-	(775,117)
Distribution for Tier 1 Capital notes	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Balance at 30 September 2016 (Reviewed)	2,583,723	4,316,950	1,292,000	(219,579)	(21,717)	-	1,498,030	9,449,407	4,000,000	13,449,407
Balance at 1 January 2015 (Audited)	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
Profit for the period	-	-	-	-	-	-	1,142,309	1,142,309	-	1,142,309
Other comprehensive income	-	-	-	(136,779)	(7,846)	-	-	(144,625)	-	(144,625)
Total comprehensive income for the period	-	-	-	(136,779)	(7,846)	-	1,142,309	997,684	-	997,684
Issuance of additional tier 1 capital instruments (Note 11)	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Dividends paid for the year 2014 (Note 10)	-	-	-	-	-	(1,033,489)	-	(1,033,489)	-	(1,033,489)
Balance at 30 September 2015 (Reviewed)	2,583,723	4,313,177	1,140,000	(194,353)	(18,441)	-	1,432,842	9,256,948	4,000,000	13,256,948

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine months ended 30 September 2016

	Notes	<i>Nine months ended</i>		<i>Year ended</i>
		<i>30 September</i> <i>2016</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>30 September</i> <i>2015</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>31 December</i> <i>2015</i> <i>(Audited)</i> <i>QAR'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit for the period/year before taxes		1,023,352	1,149,550	1,378,279
Adjustments for:				
Net impairment loss on loans and advances to customers		181,791	141,689	293,169
Impairment loss on investment securities		96,442	52,649	109,652
Depreciation		68,672	60,625	81,800
Amortisation of financing cost		8,282	5,149	7,180
Net gain on investment securities		(4,564)	(83,172)	(30,673)
Profit on sale of property, plant and equipment		(1,683)	-	597
Share of results of an associate		-	-	(168)
Profits before changes in operating assets and liabilities		1,372,292	1,326,490	1,839,836
Change in due from banks		(333,209)	(449,545)	(554,000)
Change in loans and advances to customers		(412,450)	(5,905,870)	(7,198,263)
Change in other assets		(419,628)	(11,575)	25,303
Change in due to banks		3,046,196	(2,585,419)	(4,018,605)
Change in customer deposits		(4,165,706)	6,092,447	6,820,038
Change in other liabilities		(170,661)	352,911	131,770
Social and sports fund contribution		(34,343)	(33,966)	(33,966)
Income tax paid		(25,987)	(23,762)	(22,823)
Net cash used in operating activities		(1,143,496)	(1,238,289)	(3,010,710)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of investment securities		(6,092,476)	(9,138,344)	(10,587,113)
Proceeds from sale of investment securities		3,814,307	6,301,685	7,954,022
Acquisition of property, furniture and equipment		(72,934)	(55,823)	(77,326)
Proceeds from sale of property, furniture and equipment		12,274	207	745
Acquisition of foreign branches, net of cash		-	17,416	17,416
Net cash used in investing activities		(2,338,829)	(2,874,859)	(2,692,256)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of instrument eligible as additional capital		-	2,000,000	2,000,000
Proceeds from other borrowings		2,502,360	910,693	2,717,673
Distribution on Tier 1 capital notes		(50,000)	-	(120,000)
Dividends paid	10	(775,117)	(1,033,489)	(1,033,489)
Net cash from financing activities		1,677,243	1,877,204	3,564,184
Net decrease in cash and cash equivalents		(1,805,082)	(2,235,944)	(2,138,782)
Cash and cash equivalents at the beginning of the period/year		7,557,401	9,696,183	9,696,183
Cash and cash equivalents at the end of the period/year	14	5,752,319	7,460,239	7,557,401
Operational cash flows from interest and dividend :				
Interest received		2,328,155	2,007,192	2,433,661
Interest paid		831,985	536,987	709,946
Dividends received		47,095	38,053	38,868

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine months ended 30 September 2016

1 CORPORATE INFORMATION

Doha Bank Q.S.C. (“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 interim condensed consolidated financial statements for the Nine months ended 30 September 2016 comprises the Bank and its subsidiaries (together referred to as “the Group”)

The interim condensed consolidated financial statements of the Group for the Nine months ended 30 September 2016 were authorized for issue by the Board of Directors on 19 October 2016.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the Nine months ended 30 September 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting and the applicable provisions of Qatar Central Bank regulations.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2015. The results for the Nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

New and amended standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of new standards and 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 Interim Condensed Consolidated Financial Statements as applicable. Whilst they did not have any material impact on these Interim Condensed Consolidated Financial Statements, they may require additional disclosures in the Annual Consolidated Financial Statements for the year ending 31 December 2016:

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

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Interim Condensed Consolidated Financial Statements are disclosed below. The Group intends to adopt these, 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

The Group is assessing the impact of implementation of these standards.

3 OPERATING SEGMENTS

The Group organizes and manages its operations by 2 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 centralized 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.

Details of each segment as of and for the Nine months ended 30 September 2016 and 30 September 2015 are stated below:

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine months ended 30 September 2016

3 OPERATING SEGMENTS (CONTINUED)

	<i>Conventional banking</i>			<i>Total QAR'000</i>	<i>Insurance QAR'000</i>	<i>Total QAR'000</i>
	<i>Corporate banking QAR'000</i>	<i>Retail banking QAR'000</i>	<i>Unallocated QAR'000</i>			
<i>For the Nine months 30 September 2016</i>						
Interest income	2,064,895	297,666	-	2,362,561	-	2,362,561
Net income on insurance activities	-	-	-	-	13,507	13,507
Other income	333,365	132,862	41,361	507,588	6,508	514,096
Segmental revenue	<u>2,398,260</u>	<u>430,528</u>	<u>41,361</u>	<u>2,870,149</u>	<u>20,015</u>	<u>2,890,164</u>
Profit for the period				<u>1,015,965</u>	<u>3,055</u>	<u>1,019,020</u>
As at 30 September 2016						
Assets	71,567,229	7,087,828	5,508,594	84,163,651	277,569	84,441,220
Investments in an associate						<u>8,813</u>
Total assets						<u>84,450,033</u>
Liabilities	58,952,847	11,316,206	610,317	70,879,370	121,256	71,000,626
Contingent liabilities	29,449,852	160,224	-	29,610,076	-	29,610,076

DOHA BANK Q.S.C.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Nine months ended 30 September 2016

3 OPERATING SEGMENTS (CONTINUED)

	<i>Conventional banking</i>			<i>Total QAR'000</i>	<i>Insurance QAR'000</i>	<i>Total QAR'000</i>
	<i>Corporate banking QAR'000</i>	<i>Retail banking QAR'000</i>	<i>Unallocated QAR'000</i>			
<i>For the Nine months ended 30 September 2015</i>						
Interest income	1,784,064	296,684	-	2,080,748	-	2,080,748
Net income on insurance activities	-	-	-	-	20,585	20,585
Other income	366,966	129,873	44,831	541,670	5,651	547,321
Segmental revenue	2,151,030	426,557	44,831	2,622,418	26,236	2,648,654
Profit for the period				1,133,480	8,829	1,142,309
As at 31 December 2015						
Assets	70,096,449	7,916,107	5,023,461	83,036,017	264,188	83,300,205
Investments in an associate						8,908
Total assets						83,309,113
Liabilities	58,628,806	10,579,332	782,521	69,990,659	111,155	70,101,814
Contingent liabilities	33,471,992	175,627	-	33,647,619	-	33,647,619

Geographically, the Group operates in the State of Qatar, the United Arab Emirates, the State of Kuwait and India. Qatar operations contributed approximately 98.7% of the Bank's profit for the Nine month period ended 30 September 2016 (30 September 2015: 91.9%), and approximately 89.2% (30 September 2015: 89.3%; 31 December 2015: 88.5%) of its assets.

4 FAIR VALUE OF FINANCIAL INSTRUMENTS***Fair value hierarchy***

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 30 September 2016, the Group held the following classes of financial instruments measured at fair value:

	<i>Level 1</i> <i>QAR'000</i>	<i>Level 2</i> <i>QAR'000</i>	<i>Level 3</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
At 30 September 2016				
Financial assets measured at fair value:				
Available-for-sale investment securities	7,163,387	1,133,224	-	8,296,611
Investment securities classified as held for trading	30,202	-	-	30,202
<i>Derivative instruments:</i>				
Interest rate swaps	-	16,664	-	16,664
Forward foreign exchange contracts	-	44,834	-	44,834
	<u>7,193,589</u>	<u>1,194,722</u>	<u>-</u>	<u>8,388,311</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Interest rate swaps	-	59,514	-	59,514
Forward foreign exchange contracts	-	12,509	-	12,509
	<u>-</u>	<u>72,023</u>	<u>-</u>	<u>72,023</u>

4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>Level 1</i> <i>QAR'000</i>	<i>Level 2</i> <i>QAR'000</i>	<i>Level 3</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
At 31 December 2015				
Financial assets measured at fair value:				
Available-for-sale investment securities	5,264,799	1,131,313	-	6,396,112
Investment securities classified as held for trading	16,697	-	-	16,697
<i>Derivative instruments:</i>				
Interest rate swaps	-	5,158	-	5,158
Forward foreign exchange contracts	-	23,718	-	23,718
	<u>5,281,496</u>	<u>1,160,189</u>	<u>-</u>	<u>6,441,685</u>
Financial liabilities measured at fair value:				
<i>Derivative instruments:</i>				
Interest rate swaps	-	15,635	-	15,635
Forward foreign exchange contracts	-	4,431	-	4,431
	<u>-</u>	<u>20,066</u>	<u>-</u>	<u>20,066</u>

During the period ended 30 September 2016, there were no transfers between Level 1 and Level 2 fair value measurements. All unquoted available for sale equity investments amounting to QAR 59.2 million (31 December 2015: QAR 61.3 million) are recorded at cost since the fair value cannot be reliably measured.

Valuation techniques

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.

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.

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5 LOANS AND ADVANCES TO CUSTOMERS

	30 September 2016 (Reviewed) QAR'000	30 September 2015 (Reviewed) QAR'000	31 December 2015 (Audited) QAR'000
Gross loans and advances to customers*	57,631,928	56,304,019	57,665,300
Allowance for impairment	(2,053,637)	(1,888,122)	(2,050,115)
Net loans and advances to customers	<u>55,578,291</u>	<u>54,415,897</u>	<u>55,615,185</u>

The aggregate amount of non-performing loans and advances to customers amounted to QAR 1,758.3 million representing 3.05% of the total loans and advances to customers as at 30 September 2016 (30 September 2015: QAR 1,663.2 million representing 2.95% of total loans and advances to customers; 31 December 2015: QAR 1,881.2 million, representing 3.26 % of total loans and advances to customers).

During the period, the group has written off fully provided non-performing loans amounting to QAR 290.7 million (30 September 2015: QAR 111.2 million, 31 December 2015: QAR 111.2 million) as per Qatar Central Bank circular no. 68/2011.

Allowance for impairment of loans and advances to customers includes interest in suspense of QAR 411.0 million (30 September 2015: QAR 335 million, 31 December 2015: QAR 368.7 million).

*This includes acceptances pertaining to trade finance activities amounting to QAR 449.2 million (30 September 2015: QAR 658.4 million, 31 December 2015: QAR 716.8 million).

6 INVESTMENT SECURITIES

	30 September 2016 (Reviewed) QAR'000	30 September 2015 (Reviewed) QAR'000	31 December 2015 (Audited) QAR'000
Available-for-sale	8,355,863	6,507,272	6,457,373
Held to maturity	6,048,650	6,035,385	5,724,162
Investment securities classified as held for trading	30,202	43,834	16,697
	<u>14,434,715</u>	<u>12,586,491</u>	<u>12,198,232</u>

The Group has pledged bonds amounting to QAR 538 million as at 30 September 2016 (30 September 2015: QAR 236.7 million; 31 December 2015: QAR 2,829 million) against repurchase agreements.

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7 DEBT SECURITIES

	<i>30 September 2016 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>31 December 2015 (Audited) QAR'000</i>
Subordinated debt notes (a)	773,219	772,575	772,736
Senior guaranteed notes (b)	<u>1,818,447</u>	<u>1,813,840</u>	<u>1,814,992</u>
	<u>2,591,666</u>	<u>2,586,415</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. The notes mature in 2016 and carry interest at six months US\$ LIBOR plus 1.32% per annum.

Note (b)

On 14 March 2012, the Group issued US\$ 500 million senior guaranteed notes at 98.964% of 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.

8 OTHER BORROWINGS

	<i>30 September 2016 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>31 December 2015 (Audited) QAR'000</i>
Term loan facilities	<u>5,954,894</u>	<u>1,639,586</u>	<u>3,452,534</u>
	<u>5,954,894</u>	<u>1,639,586</u>	<u>3,452,534</u>

The table below shows the maturity profile of other borrowings.

	<i>30 September 2016 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>31 December 2015 (Audited) QAR'000</i>
Up to 1 year	2,760,221	547,136	276,378
Between 1 and 3 years	<u>3,194,673</u>	<u>1,092,450</u>	<u>3,176,156</u>
	<u>5,954,894</u>	<u>1,639,586</u>	<u>3,452,534</u>

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9 FAIR VALUE RESERVE

	<i>30 September 2016 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>31 December 2015 (Audited) QAR'000</i>
Balance at 1 January	(269,676)	(57,574)	(57,574)
Net unrealized (loss) gain on available-for-sale investment securities	(25,788)	(153,310)	(296,132)
Reclassified to interim consolidated statement of income	75,885	16,531	84,030
Net change in fair value of available-for-sale investment securities	<u>50,097</u>	<u>(136,779)</u>	<u>(212,102)</u>
Balance at end of the period/year	<u>(219,579)</u>	<u>(194,353)</u>	<u>(269,676)</u>

10 DIVIDENDS PAID

A cash dividend of 30% (or QAR 3.0 per share) relating to the year ended 31 December 2015 (2014: QAR 4.0 per share), amounting to QAR 775.1 million (2014: QAR 1,033.5 million), was approved at the Annual General Assembly held on 7 March 2016 and paid during the period.

11 INSTRUMENT ELIGIBLE AS ADDITIONAL CAPITAL

	<i>30 September 2016 (Reviewed) QAR'000</i>	<i>30 September 2015 (Reviewed) QAR'000</i>	<i>31 December 2015 (Audited) QAR'000</i>
Issued on 31 December 2013	2,000,000	2,000,000	2,000,000
Issued on 30 September 2015	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>
	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>

The Group has issued regulatory Tier I capital notes totaling to QAR 4 billion. These notes are perpetual, subordinated, unsecured and each has been priced at a fixed interest 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.

12 FINANCIAL COMMITMENTS AND CONTINGENCIES

	30 September 2016 (Reviewed) QAR'000	30 September 2015 (Reviewed) QAR'000	31 December 2015 (Audited) QAR'000
(a) Contingent commitments			
Guarantees	22,232,256	23,237,790	23,335,322
Letter of credit	2,247,182	2,843,072	3,058,478
Unused credit facilities	5,130,638	8,573,428	7,253,819
Others	105,217	46,146	49,052
	<u>29,715,293</u>	<u>34,700,436</u>	<u>33,696,671</u>
(b) Other commitments			
<i>Derivative financial instruments:</i>			
Forward foreign exchange contracts	30,306,616	10,566,520	11,017,638
Interest rate swaps	1,728,779	949,500	949,275
	<u>32,035,395</u>	<u>11,516,020</u>	<u>11,966,913</u>
Total	<u>61,750,688</u>	<u>46,216,456</u>	<u>45,663,584</u>

The derivative instruments are reflected at their fair value and are presented under other commitments at their notional amount.

13 RELATED PARTY TRANSACTIONS

The Group enters into transactions, arrangements and agreements involving members of the Board of Directors and their related concerns in the ordinary course of business at commercial interest and commission rates. Balances with related parties and transactions with related parties at the end of the reporting period were as follows:

	30 September 2016 (Reviewed) QAR'000	30 September 2015 (Reviewed) QAR'000	31 December 2015 (Audited) QAR'000
Statement of financial position items			
Loans and advances to customers	<u>1,287,543</u>	<u>1,188,272</u>	<u>1,280,508</u>
Customer deposits	<u>415,040</u>	<u>451,763</u>	<u>409,029</u>
Contingent liabilities and other commitments	<u>790,236</u>	<u>992,228</u>	<u>931,377</u>
Other assets	<u>8,305</u>	<u>5,448</u>	<u>8,305</u>

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13 RELATED PARTY TRANSACTIONS (CONTINUED)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>30 September 2016</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>30 September 2015</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>30 September 2016</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>30 September 2015</i> <i>(Reviewed)</i> <i>QAR'000</i>
Statement of income items				
Interest, fee and commission income	10,116	9,092	29,971	25,027
Interest, fee and commission expenses	1,649	1,277	6,756	5,524
Compensation to Key Management Personnel				
Salaries and other benefits	7,320	3,467	22,798	15,984
End of service benefits and pension fund	666	605	2,259	1,927
	7,986	4,072	25,057	17,911

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the interim consolidated statement of cash flows, comprise the following:

	<i>30 September 2016</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>30 September 2015</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>QAR'000</i>
Cash and balances with central banks	1,884,851	1,410,870	1,399,611
Balance due from banks maturing within 3 months	3,867,468	6,049,369	6,157,790
	5,752,319	7,460,239	7,557,401

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

15 CAPITAL ADEQUACY

	<i>30 September 2016</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>30 September 2015</i> <i>(Reviewed)</i> <i>QAR'000</i>	<i>31 December 2015</i> <i>(Audited)</i> <i>QAR'000</i>
Common Equity Tier 1 Capital	8,319,185	7,998,842	8,327,067
Additional Tier 1 Capital	4,000,000	4,000,000	4,000,000
Additional Tier 2 Capital	277,288	238,333	278,118
Total Eligible Capital	12,596,473	12,237,175	12,605,185
Risk Weighted Assets	78,377,088	79,148,166	80,152,166
Total Capital Ratio	16.07%	15.46%	15.73%