



## ABQ FINANCE LIMITED

(an exempted company incorporated in the Cayman Islands with limited liability)

**U.S.\$1,500,000,000**

### **Euro Medium Term Note Programme**

**guaranteed by  
Ahli Bank Q.S.C.**

Under the Euro Medium Term Note Programme described in this base prospectus (the "**Programme**"), ABQ Finance Limited (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium Term Notes (the "**Notes**") denominated in any currency agreed between the Issuer, the Guarantor and the Dealers (defined herein). The payment of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Ahli Bank Q.S.C. (the "**Guarantor**" or "**ABQ**"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.\$1,500,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement (defined herein)).

This base prospectus (the "**Base Prospectus**") has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and European Union ("EU") law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list (the "**Official List**") and to trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC (each such regulated market being a "**MiFID Regulated Market**") and/or which are to be offered to the public in any member state of the European Economic Area (the "**EEA**").

References in this Base Prospectus to the Notes being "listed" (and all related references) shall mean that, unless otherwise specified in the Final Terms (as defined in "*Overview of the Programme—Method of Issue*"), the Notes have been admitted to the Official List and have been admitted to trading on the Main Securities Market. However, unlisted Notes may also be issued pursuant to the Programme. The relevant Final Terms in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Main Securities Market (or any other stock exchange).

Each Series (as defined in "*Overview of the Programme – Method of Issue*") of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**"). Notes in registered form will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") (the "**Common Depositary**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "*Summary of Provisions Relating to the Notes while in Global Form*".

The credit ratings included or referred to in this Base Prospectus will be treated for the purposes of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**") as having been issued by Moody's Investors Service Cyprus Limited ("**Moody's**") and Fitch Ratings Limited ("**Fitch**"). Each of Fitch and Moody's is established in the European Union and is registered under the CRA Regulation. As such, each of Fitch and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

The Guarantor has been assigned a long-term rating of A+ with a stable outlook and a short-term rating of F1 by Fitch and a long-term rating of A2 with a stable outlook and a short-term rating of P-1 by Moody's. The Programme has been assigned a senior unsecured provisional rating of (P)A2 long-term by Moody's.

Whether or not a rating has been given in relation to any Tranche (as defined in "*Overview of the Programme—Method of Issue*") of Notes and, if so, whether or not such rating will be treated as having been issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the relevant Final Terms. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Programme or any Notes already issued.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**An investment in Notes issued under the Programme includes certain risks. Prospective investors should have regard to the factors described under the section headed "Risk Factors" in this Base Prospectus.**

#### **Arranger for the Programme**

**HSBC**

**Dealers**

**BANK ABC**

**Barclays**

**HSBC**

**Mizuho Securities**

**QNB Capital LLC**

**Standard Chartered Bank**

The date of this Base Prospectus is 6 February 2017

## IMPORTANT NOTICES

This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer, the Guarantor, the Group (as defined herein) and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Guarantor, and of the rights attaching to the Notes.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge of the Issuer and the Guarantor (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with any supplements hereto and, in relation to any Tranche of Notes which is the subject of the Final Terms, must be read and construed together with the relevant Final Terms.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the Programme or the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor or any of the Dealers or the Arranger (as defined in "*Overview of the Programme*"). Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

In the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in a Member State of the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

The distribution of this Base Prospectus and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, the Guarantor, the Dealers and the Arranger to inform themselves about and to observe any such restriction. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons. For a description of certain restrictions on offers and sales of Notes and on distribution of this Base Prospectus, see "*Subscription and Sale*".

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Dealers to subscribe for, or purchase, any Notes.

To the fullest extent permitted by law, none of the Dealers or the Arranger accept any responsibility for the contents of this Base Prospectus or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer, the Guarantor or the issue and offering of the Notes. Each Arranger and Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any other such statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Guarantor, the Arranger or the Dealers that any recipient of this Base Prospectus or any other such statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Base Prospectus nor to advise any investor or

potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger.

In making an investment decision, investors must rely on their own independent examination of the Issuer and the Guarantor and the terms of the Notes being offered, including the merits and risks involved. None of the Arranger, the Dealers or any of its or their respective affiliates or the Issuer or the Guarantor makes any representation to any investor regarding the legality of its investment under any applicable laws. Any investor should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

The Notes may not be a suitable investment for all investors. Accordingly, each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes to which this Programme relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Notes offered should conduct their own due diligence on the Notes. If you do not understand the contents of this Base Prospectus you should consult an authorised financial adviser.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) the Notes are legal investments for it; (2) the Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## STABILISATION

**In connection with the issue of any Tranche, one or more relevant Dealers (the "Stabilisation Manager(s)") (or any person acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche and 60 days after the**

date of the allotment of the relevant Tranche. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

#### **NOTICE TO RESIDENTS OF QATAR**

The Notes will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar ("Qatar") (including the Qatar Financial Centre (the "QFC")) in a manner that would constitute a public offering. This Base Prospectus has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority (the "QFMA"), the Qatar Financial Centre Regulatory Authority (the "QFCRA"), the Qatar Stock Exchange (the "QSE") or the Qatar Central Bank (the "QCB") in accordance with their regulations or any other regulations in Qatar and the QFC. The Notes are not and will not be traded on the QSE.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain ("Bahrain"), Notes issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors as defined by the Central Bank of Bahrain ("CBB") in Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or the equivalent amount in any other currency or such other amount as the CBB may determine.

This Base Prospectus does not constitute an offer of securities in Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Notes may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase Notes, whether directly or indirectly, to persons in Bahrain, other than to accredited investors for an offer outside Bahrain.

The CBB has not reviewed, approved or registered this Base Prospectus or related offering documents and it has not in any way considered the merits of the Notes to be offered for investment, whether in or outside of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of Notes will be made to the public in Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia ("Saudi Arabia") except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the "Capital Market Authority").

The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Notes should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Base Prospectus, he or she should consult an authorised financial adviser.

#### **NOTICE TO RESIDENTS OF JAPAN**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). The Notes will not be, directly or indirectly, offered or sold in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except

pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

#### CAYMAN ISLANDS NOTICE

No invitation, whether directly or indirectly, may be made to any member of the public of the Cayman Islands to subscribe for any Notes and this Base Prospectus shall not be construed as an invitation to any member of the public of the Cayman Islands to subscribe for any Notes.

#### NOTICE TO RESIDENTS OF MALAYSIA

The Notes may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Notes in Malaysia may be made, directly or indirectly, and this Base Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Schedule 6 or Section 229(1)(b), Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia.

The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer and/or the Guarantor, as the case may be, and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Base Prospectus.

#### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

##### Presentation of Financial Information

The consolidated financial statements of ABQ and its consolidated subsidiary (together, the "**Group**") included in this Base Prospectus are as follows:

- the audited consolidated financial statements as at and for the financial year ended 31 December 2016 (the "**2016 Financial Statements**"); and
- the audited consolidated financial statements as at and for the financial year ended 31 December 2015 (the "**2015 Financial Statements**") and, together with the 2016 Financial Statements, the "**Financial Statements**").

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board (the "**IASB**") and applicable QCB regulations. The 2016 Financial Statements were audited by Deloitte & Touche, Qatar Branch and the 2015 Financial Statements were audited by Deloitte & Touche, Qatar Branch and, in each case, an unqualified opinion was expressed on them.

The Bank's financial year ends on 31 December and references in this Base Prospectus to "2014", "2015" and "2016" are to the 12 month period ending on 31 December in each such year.

The Bank presents its financial statements in Qatari riyals.

##### Certain Non-IFRS Financial Information

This Base Prospectus includes certain financial information which has not been prepared in accordance with IFRS (see "*Capital and other financial ratios*" below) and which was not subject to any audit or review by independent auditors.

##### Capital and other financial ratios

This Base Prospectus includes references to capital and other ratios, including ABQ's return on average assets, return on average equity, total capital adequacy ratio, cost/income ratio, net interest margin, non-performing loans ratio and provisioning ratio. Although these ratios are not IFRS measures, ABQ believes that they are important to understanding its capital position and other aspects of its business, particularly in light of regulatory requirements to maintain capital and liquidity ratios above prescribed minimum levels. ABQ's interpretation of any future planned ratios and the basis of its calculation of these ratios may be different from those of other financial institutions.

## Summary of alternative performance measures

ABQ considers that the following metrics referenced in this Base Prospectus constitute Alternative Performance Measures as defined in the European Securities and Markets Authority Guidelines ("ESMA Guidelines") on Alternative Performance Measures:

Metric	Calculation	Rationale for inclusion
<b>Return on average assets</b>	Calculated as profit for the year divided by average assets for the period. Average assets are calculated on a daily basis.	Measures the earnings in proportion to the assets held by the firm. Widely used as a key performance indicator for banks to assess how efficiently the bank is utilising assets to generate return.
<b>Return on average equity</b>	Calculated as profit for the year divided by average shareholders' equity for the period. Average shareholders' equity is calculated on a daily basis.	Measures the earnings in proportion to the equity held by the bank. Widely used as a key performance indicator for banks to assess how efficiently the bank is utilising equity to generate return to shareholders.
<b>Cost/income ratio</b>	Calculated as the sum of staff costs, general and administrative expenses, depreciation of property and equipment and other expenses, divided by operating income. Operating income is calculated as the sum of net interest income, fee income and other income.	Also called efficiency ratio; it is used to assess the amount spent to earn income expressed in percentage. It compares cost with income.
<b>Net interest margin</b>	Calculated as yield minus cost of funds. Yield is calculated as interest income divided by daily average interest bearing assets. Cost of funds is calculated as interest expense divided by daily average of interest bearing liabilities.	Measures the spread a bank makes on its lending activities. This is a critical success factor for banks as this will have a significant impact on a bank's profitability.
<b>Non-performing loans ratio</b>	Calculated as non-performing loans divided by gross loans.	This measures bad loans as a percentage of total loans. This is a widely used measure to assess the asset quality of banks.
<b>Provisioning charge/non-performing loans ratio</b>	Calculated as loan loss impairment provision divided by gross non-performing loans.	This measures the loan loss provisions as a percentage of total non-performing loans. This is used to measure the adequacy of provisions for a bank's non-performing loans.
<b>Total capital adequacy ratio</b>	The 2015 and 2016 total capital adequacy ratios are calculated according to Basel III methodology.	This measures the capital health of the bank. This is widely used to assess if a bank has adequate capital with reference to its minimum capital requirements,

headroom for future growth and assess the level of leverage. The capital requirement to meet any unforeseen stressful event is also tested using this metric.

### **Presentation of Other Information**

In this Base Prospectus, unless otherwise specified or the context otherwise requires, all references to "U.S. dollars", "U.S.\$", "dollars" and "\$" refer to United States dollars being the legal currency for the time being of the United States of America; and all references to "riyal" and "QAR" refer to Qatari riyal being the legal currency for the time being of Qatar. Translations of amounts from riyals to U.S. dollars in this Base Prospectus are solely for the convenience of the reader. Since the mid-1980s the riyal has effectively been pegged to the U.S. dollar at a fixed exchange rate of 3.64 riyals per U.S. dollar and this rate was officially adopted in 2001. Accordingly, translations of amounts from QAR to U.S. dollars have been made at this exchange rate for all periods in this Base Prospectus.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

References to a "billion" are to a thousand million.

### **Third Party and Market Share Data**

This Base Prospectus contains information regarding ABQ's business and the industry in which it operates and competes, which ABQ has, in certain instances, obtained from third party sources. ABQ and other institutions operating in the financial services industry make available a wide range of financial and operational information to regulatory and market bodies, including the QCB and the Ministry of Development Planning and Statistics of Qatar. These bodies use certain of the data supplied to publish statistics, including those included in monthly monetary bulletins and bank monthly statements. However, no assurance can be made that the information reported to these bodies by different market participants is, in all cases, directly comparable.

In some cases, independently determined industry data is not available. In these cases, any market share data included in this Base Prospectus is referred to as having been estimated. All such estimates have been made by ABQ using its own information and other market information which is publicly available. ABQ believes that these estimates of market share are helpful as they give prospective investors a better understanding of the industry in which it operates as well as its position within that industry. Although all such estimations have been made in good faith based on the information available and ABQ's knowledge of the market within which it operates, ABQ cannot guarantee that a third party expert using different methods would reach the same conclusions.

Statistical information relating to Qatar included in this Base Prospectus has been derived from official public sources, including the Ministry of Development Planning and Statistics of Qatar, the QCB, the International Monetary Fund (the "IMF"), Reuters, the BP Statistical Review of World Energy June 2016, the U.S. Energy Information Administration and the QFC. All such statistical information may differ from that stated in other sources for a variety of reasons, including the use of different definitions and cut-off times. This data may subsequently be revised as new data becomes available and any such revised data will not be circulated by ABQ to investors who have purchased any Notes. Where information has not been independently sourced, it is ABQ's own information. Each of the Issuer and ABQ confirms that all third party information contained in this Base Prospectus has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant sources referred to, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Base Prospectus, the source of such information has been identified.

## FORWARD-LOOKING STATEMENTS

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Guarantor are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Guarantor expects to operate in the future. Important factors that could cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other factors described in this Base Prospectus:

- macro-economic and financial market conditions (and changes thereof) and, in particular, any global financial crisis;
- changes in political, social, legal or economic conditions in Qatar in particular, and in other markets that may affect ABQ and the value of its investments;
- credit risks, including the impact of a higher level of credit defaults arising from adverse economic conditions, the impact of provisions and impairments and concentration of ABQ's portfolio of financing and investing assets;
- the effects of, and changes in, laws, regulations or governmental policy affecting ABQ's business activities;
- ABQ's ability to manage growth successfully;
- changes in the competitive environment in which ABQ operates;
- removal or adjustment of the peg between the U.S. dollar and the Qatari riyal;
- liquidity risks, including the inability of ABQ to meet its contractual and contingent cash flow obligations or the inability to fund its operations; and
- changes in interest rates and other market conditions.

This list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Guarantor operates. Such forward-looking statements speak only as of the date on which they are made and are not subject to any continuing obligations under the listing rules of the Irish Stock Exchange. Accordingly, neither the Issuer nor the Guarantor undertakes any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Neither the Issuer nor the Guarantor makes any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

## SUPPLEMENTARY PROSPECTUS

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to Regulation 51 of Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (S.I. No. 324 of 2005) (the "**Irish Prospectus Regulations**"), the Issuer and the Guarantor will prepare and make available an appropriate amendment or supplement to this Base Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Main Securities Market, shall constitute a supplementary prospectus as required by Regulation 51 of the Irish Prospectus Regulations and Article 16 of the Prospectus Directive.

Each of the Issuer and the Guarantor has given an undertaking to the Dealers that, if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion or removal from this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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## RISK FACTORS

*The Issuer and ABQ believe that the following factors may affect their ability to fulfil their obligations under the Notes issued under the Programme. All of these factors are contingencies which may or may not occur and neither the Issuer nor ABQ is in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer and ABQ believe may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of the Issuer and ABQ believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but neither the Issuer nor ABQ may be able to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer and ABQ do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under or in connection with Notes issued under the Programme**

***The Issuer is a special purpose company that is entirely dependent on ABQ to service its payment obligations under the Notes***

The Issuer was incorporated in the Cayman Islands on 3 March 2016 and has a limited operating history. The Issuer's principal purpose is to provide funding, through the international capital markets, to ABQ. All proceeds from the issue of Notes under the Programme will be lent by the Issuer to ABQ. Payments of principal and interest under any such loan by ABQ to the Issuer will fund the Issuer's payment obligations under the Notes.

As the Issuer does not have any other business operations, the Issuer's ability to fulfil its obligations under the Notes is entirely dependent on ABQ's performance under each such loan. Accordingly, the Issuer is subject to all the risks to which ABQ is subject, to the extent that such risks could limit ABQ's ability to satisfy in full and on a timely basis its obligations under the Guarantee. See "*Factors that may affect ABQ's ability to fulfil its obligations under the Deed of Guarantee*" for a further description of certain of these risks.

### **Factors that may affect ABQ's ability to fulfil its obligations under the Deed of Guarantee**

***ABQ's business, financial condition, results of operations and prospects are and will continue to be affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Qatar and, to a lesser extent, the other GCC countries could materially adversely impact ABQ***

ABQ, in common with other financial institutions, is susceptible to changes in the macro-economic environment and the performance of financial markets generally. The 2008 global financial crisis had a significant adverse effect on the economies of the Cooperation Council for the Arab States of the Gulf ("GCC"), including Qatar, and resulted in a slowdown of growth rates, particularly in the real estate, construction and financial institutions sectors. As at the date of this Base Prospectus, global debt and equity markets have again been adversely impacted by the ongoing volatility in the macro-economic climate, which has prompted reduced fiscal budgets and public spending plans for 2016 across the GCC economies, with particular concerns around the ongoing impact of the volatility of global crude oil prices, the effects of the economic slowdown in emerging markets generally, and volatility in the Chinese economy in particular, and the broader impact on global debt and equity markets.

Almost all of ABQ's credit exposures are focused in Qatar. The economies of Qatar and the other GCC countries are largely dependent on oil and gas and related industries, as well as the prices and production quantities of these commodities. Oil and gas prices have, however, been volatile in recent years, which has impacted economic growth in Qatar and many other GCC countries. Since June 2014, international crude oil prices have declined dramatically (falling by approximately 75 per cent. from a high monthly average OPEC Reference Basket price per barrel of U.S.\$108 in June 2014, to a monthly average price of U.S.\$52.41 in January 2017). The prevailing low international prices for hydrocarbon products have had a significant adverse effect on the oil-revenue dependent GCC economies, resulting in reduced fiscal

budgets and public spending plans for 2017, together with increased budgetary deficits across the GCC with Qatar expecting to post a budget deficit of approximately U.S.\$ 7.8 billion in 2017 (see further "*—ABQ's investment securities and customer loan portfolios and deposit base are concentrated in Qatar and ABQ has significant individual customer concentrations*").

Additionally, the current instability of interest rates across global markets (including the decision of the U.S. Federal Reserve in December 2015 to raise interest rates for the first time since 2006 and the uncertainty around the broader impact of the decision of the Bank of Japan to introduce negative interest rates in January 2016) have also had an adverse impact on the macroeconomic environment. Further, and in response to the ongoing oil crisis, certain regional oil producing countries that have traditionally "pegged" their domestic currencies to the U.S. dollar have faced pressure to remove these foreign exchange "pegs". In 2015, each of Kazakhstan and Azerbaijan chose to unwind the U.S. dollar peg of their domestic currencies. While the likelihood of the GCC states pursuing a similar course of action is unclear, there remains a risk that any such future de-pegging by the GCC states (in the event that the current challenging market conditions persist for a prolonged period) would pose a systemic risk to the regional banking systems by virtue of the inevitable de-valuation of any such de-pegged currency against the U.S. dollar and the impact this would have on the open cross-currency positions held by regional banks, including ABQ.

The performance of global financial markets has also been affected by the hostile economic environment, with international equity markets being particularly impacted by the economic slowdown in emerging markets generally and volatility in the Chinese economy in particular, where economic growth slowed during 2016 to around 6.7 to 7.0 per cent. of real gross domestic product ("**GDP**").

As a result of such market conditions, there has been, at times, a material reduction in the availability of financing, both for financial institutions and their customers, compelling many financial institutions to rely on central banks and governments to provide liquidity and, in some cases, additional capital. Governments around the world, including in Qatar and some of the other countries in the Middle East and North Africa ("**MENA**") region, have taken actions intended to stabilise financial markets and prevent the failure of financial institutions (see further "*Banking Industry and Banking Regulation in Qatar*"). Despite such measures, international capital and credit markets have continued to experience volatility at certain times. If current market conditions continue to deteriorate, ABQ may experience reductions in business activity, increased funding costs and funding pressures, decreased asset values, credit losses and impairment charges, and lower profitability and cash flows. ABQ's business and financial performance may also be adversely affected by future recovery rates on assets, particularly as the historical assumptions underlying asset recovery rates may prove to be inaccurate as a result of the prolonged market volatility and disruption.

Any deterioration in economic conditions in Qatar or the GCC, whether or not due to the reasons set out above, could materially adversely affect many of ABQ's borrowers and contractual counterparties which, in turn, is likely to adversely affect ABQ's business, financial condition, results of operations and prospects.

***ABQ is exposed to credit risk and recent high levels of growth in ABQ's loan portfolio have resulted in an increase in its credit exposure and risk profile***

Risks arising from adverse changes in the credit quality and recoverability of loans, securities and amounts due from counterparties are inherent in a wide range of ABQ's businesses, principally in its lending and investment activities. In particular, ABQ is exposed to the risk that borrowers may not repay their loans according to their contractual terms and that the collateral securing the payment of these loans may be insufficient. ABQ continuously reviews and analyses its loan portfolio and credit risks, and ABQ's provision for losses on loans is based on, among other things, its analysis of current and historical delinquency rates and loan management and the valuation of the underlying assets, as well as numerous other management assumptions. However, these internal analyses and assumptions may give rise to inaccurate predictions of credit performance, particularly in a volatile economic climate (see further "*—ABQ's business, financial condition, results of operations and prospects are and will continue to be affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Qatar and, to a lesser extent, the other GCC countries could materially adversely impact ABQ*").

At 31 December 2016, the Group's loans and advances to customers (its "**customer loan portfolio**") amounted to QAR 26,861 million, compared to QAR 24,045 million at 31 December 2015 and QAR 21,308 million at 31 December 2014 (representing an increase of 12.8 per cent. from 2014 to 2015 and 11.7 per cent. from 2015 to 2016). In 2015, the Group recorded QAR 15 million in provisions net of recoveries in respect of its customer loan portfolio, equal to 0.06 per cent. of its gross loans and advances to customers at 31 December 2015. In 2016, the Group recorded QAR 10,819 million in provisions net of recoveries in respect of its customer loan portfolio, equal to 0.04 per cent. of its gross loans and advances to customers at 31 December 2016.

This high level of growth in the Group's customer loan portfolio has increased its credit exposure and, as ABQ continues to expand its customer loan portfolio, management will need to continually monitor the credit quality of the loan portfolio (see further "*Risk Management—Credit Risk*"). A material deterioration in the quality of the Group's loan portfolio or any significant increase in loan losses in the future could have a material adverse effect on ABQ's business, financial condition, results of operations and prospects.

Credit losses could also arise from a deterioration in the credit quality of specific borrowers, issuers and counterparties of ABQ, or from a general deterioration in local or global economic conditions, or from systemic risks within financial systems, any or all of which could affect the recoverability and value of ABQ's assets and require an increase in ABQ's provisions for the impairment of loans, securities and other credit exposures.

Any failure by ABQ to maintain the quality of its assets through effective risk management policies could lead to higher loan loss provisioning and result in higher levels of defaults and write-offs, which, in turn, could have a material adverse effect on ABQ's business, financial condition, results of operations and prospects.

***ABQ's investment securities and customer loan portfolios and deposit base are concentrated in Qatar and ABQ has significant individual customer concentrations***

ABQ's investment securities and loan portfolios are geographically concentrated in Qatar. The Group's customer loan portfolio and investment securities portfolio together constituted 85 per cent. of its total assets, or QAR 32,432 million, at 31 December 2016. In terms of the Group's net credit exposure (which includes its exposure to banks and under derivative financial contracts but excludes its liability under contingent commitments), 93.8 per cent. of this exposure was to counterparties located in Qatar at 31 December 2016.

The Group's customer deposits constituted 75.1 per cent. of its total liabilities, or QAR 25,011 million, at 31 December 2016 and 80.92 per cent. of its customer deposits at 31 December 2016 had been accepted in Qatar. As a result, any deterioration in general economic conditions in Qatar or the GCC region generally or any failure by ABQ to manage effectively its geographic risk concentrations could lead to a deterioration in the credit quality of counterparties of ABQ as well as an increase in ABQ's cost of borrowing funds (to the extent that the deterioration results in deposit withdrawals) (see further "*ABQ's business, financial condition, results of operations and prospects are and will continue to be affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Qatar and, to a lesser extent, the other GCC countries could materially adversely impact ABQ*").

***Qatar's economy is materially affected by international oil and natural gas prices, which have fluctuated widely over the past two decades***

According to the QCB Annual Report for 2015, the oil and gas sector contributed 51.1 per cent. and 36.2 per cent. to Qatar's total nominal GDP for the years ended 31 December 2014 and 31 December 2015, respectively. It also contributed 81.9 per cent. and 81.8 per cent. to the annual revenues of Qatar in the fiscal years 2014 and 2015 respectively.

International prices for crude oil have fluctuated substantially as a result of many factors, including global demand for oil and natural gas, changes in production levels, geopolitical uncertainty (particularly in the MENA region), changes in governmental regulations, weather, general economic conditions and competition from other energy sources. In addition, as crude oil prices provide a benchmark for gas and petrochemical feedstock prices, changes in crude oil prices may also have an impact on gas and

petrochemical prices. International prices for natural gas have also fluctuated significantly in the past depending on global supply and demand and the availability and price of alternative energy sources. The OPEC Reference Basket crude oil price averaged U.S.\$109 per barrel in 2012 and U.S.\$106 per barrel in 2013. However, since June 2014, international crude oil prices have declined dramatically (falling by approximately 75 per cent. from a high monthly average OPEC Reference Basket price per barrel of U.S.\$108 in June 2014, to a monthly average price of U.S.\$52.41 in January 2017). According to the IMF, this fall in prices will lead to a substantial deterioration in Qatar's fiscal position since the price of liquefied natural gas ("LNG") sold by Qatar is linked to the price of oil and a substantial part of its budget revenues and exports are tied to activities of the hydrocarbon sector. The sharp decline in oil prices since mid-2014 have resulted in larger budget deficits across the GCC economies (Qatar posted a budget deficit of approximately U.S.\$8 billion in 2016), coupled with reduced fiscal budgets and public spending.

In the past, Qatar has been able to partially offset lower hydrocarbon prices by increases in hydrocarbon production, but the future rate of growth in Qatar's hydrocarbon production is expected to slow. Most of Qatar's oilfields are mature and oil production may have peaked in 2011. Additionally, the reserves at Al Shaheen, one of Qatar's most productive oil fields, were reduced in 2011 after drilling results led to a reserves reassessment. Qatar is also approaching the end of a 20 year development cycle for LNG projects and LNG production is expected to plateau in the near future. With a moratorium on the development of new gas projects in the North Field in place since 2005 (excluding the Barzan gas pipeline project which is targeted for local consumption), and given the long lead time to develop gas projects, Qatar may not be able to significantly increase gas production in the near future through new gas projects. Thus, any further reduction in the prices of natural gas, crude oil and other hydrocarbons may have a significant adverse impact on the economy of Qatar and may also materially adversely impact Qatar's revenues and financial condition.

Such effects would be likely to materially adversely affect ABQ by:

- reducing the demand from its Qatari customers for financing and by adversely affecting the quality of its outstanding financing, thus potentially increasing its impairment losses and so reducing profitability; and/or
- causing certain large depositors of ABQ to withdraw their deposits (in whole or in part) to address their own liquidity needs, resulting in ABQ having to source alternative sources of funding (see further "*ABQ is subject to the risk that liquidity may not always be readily available or may only be available at significant cost*").

In addition, any reduction in Qatar's revenues would reduce the likelihood and/or extent of Qatari government (the "**Government**") financial support being available to Qatari banks, including ABQ, should such support be needed in the future.

The Group also has significant customer risk concentrations. For example, the Group's 20 largest loans and advances to customers outstanding at 31 December 2016 constituted approximately 41.3 per cent. of its total loan portfolio at that date. In terms of liabilities, the Group's 20 largest customer deposits at 31 December 2016 constituted approximately 56.9 per cent. of its total customer deposits at that date. As a result, a material weakening in the credit quality of, or a default by, any one or more of the Group's large loan customers could result in the Group making significant additional loan loss provisions and experiencing reduced interest income. Similarly, the withdrawal, or non-renewal, of deposits by any one or more of the Group's large depositors could require ABQ to obtain replacement funding from other sources which may not be readily available or may be significantly more expensive. Either of such eventualities would be likely to have a material adverse effect on ABQ's business, financial condition, results of operations and prospects.

***ABQ is exposed to declining property values in Qatar on the collateral supporting residential and commercial real estate loans***

The Group's total customer loan portfolio as at 31 December 2016 was QAR 26,861 million, of which real estate and commercial mortgages amounted to 60.4 per cent. Although the property market in Qatar has stabilised after a period of sustained growth, negative economic and other factors could lead to future contraction in the residential mortgage and commercial lending market and to decreases in residential and commercial property prices which would adversely affect the value of the Group's collateral and could

lead to increased impairment charges which would reduce the Group's profitability (see further "—A recurrence of rising inflation, or deflation, may adversely affect ABQ's profitability").

***ABQ has significant credit-related contingent liabilities and commitments that may lead to potential losses***

As part of its normal banking business, ABQ issues loan commitments, guarantees and letters of credit, all of which are accounted for off ABQ's balance sheet until such time as they are actually funded or cancelled. Although these commitments are contingent, they nonetheless subject ABQ to both credit and liquidity risks. Although ABQ anticipates that only a portion of its obligations in respect of these commitments will be triggered, ABQ may need to make payments in respect of a greater portion of such commitments, particularly in cases where there has been a general deterioration in market conditions. This would result in ABQ needing to obtain additional funding, potentially at relatively short notice, which could have an adverse effect on its financial condition and results of operations. As at 31 December 2016, the Group had QAR 17,963 million in such contingent liabilities outstanding, equal to 39.8 per cent. of its combined loans and advances to customers and contingent liabilities.

***ABQ could be adversely affected by the weakness or the perceived weakness of other financial institutions and counterparties, which could result in significant systemic liquidity problems, losses or defaults***

Against the backdrop of constraints on liquidity and the high cost of funds in the interbank lending market, and given the high level of interdependence between financial institutions that became most evident following the bankruptcy of Lehman Brothers in 2008, ABQ is subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of other financial institutions. Within the financial services industry, the default of any one institution could lead to significant losses, and potentially defaults, by other institutions. As was experienced during the last financial crisis in 2008 and 2009, concerns about, or a default by, one institution could also lead to significant liquidity problems, losses or defaults by other institutions, because the commercial and financial soundness of many financial institutions is closely related as a result of their credit, trading, clearing or other relationships. Even the perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by ABQ or other institutions. This risk, often referred to as "systemic risk", may also adversely affect other financial intermediaries, such as clearing agencies, clearing houses, securities firms and exchanges, with whom ABQ interacts on a daily basis. Systemic risk, should it materialise, could have a material adverse effect on ABQ's ability to raise new funding and on its business, financial condition, results of operations and prospects.

***ABQ is subject to the risk that liquidity may not always be readily available or may only be available at significant cost***

Liquidity risk is the risk that ABQ will be unable to meet its obligations, including funding commitments, as they become due. This risk is inherent in banking operations and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, for example, short-term and overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation or major disasters. Credit markets worldwide experienced a severe reduction in liquidity in the final quarter of 2008 and the first half of 2009. Since then, market conditions have, at times, been volatile with financial institutions continuing to experience periods of reduced liquidity. As at the date of this Base Prospectus, global debt and equity markets have again been adversely impacted by the ongoing volatility in the macro-economic climate including the severe drop in oil prices experienced since June 2014.

The perception of counterparty risk between banks has also increased significantly in recent years, which has led to reductions in certain traditional sources of liquidity, such as the debt markets, asset sales and redemption of investments. ABQ's access to these traditional sources of liquidity may be restricted or available only at a higher cost and there can be no assurance that the Government will continue to provide the levels of support that it has provided in the past, either to the Qatari banking sector generally or to ABQ in particular.

In addition, uncertainty or volatility in the capital and credit markets may limit ABQ's ability to refinance maturing liabilities with long-term funding or increase the cost of such funding. ABQ's access to any additional financing it may need will depend on a variety of factors, including market conditions, the

availability of credit generally and to borrowers in the financial services industry specifically, and ABQ's financial condition, credit ratings and credit capacity.

Due to regulatory reasons, ABQ relies primarily on deposits to meet most of its funding needs. The availability of deposits is subject to fluctuation due to factors outside ABQ's control, including possible loss of confidence and competitive pressures, and this could result in a significant outflow of deposits within a short period of time. At 31 December 2016, approximately 25.7 per cent. of the Group's funding (which comprises amounts due to banks, certificates of deposit, customer deposits, subordinated debt and other borrowings and liabilities) had remaining maturities of one month or less or were payable on demand and approximately 62.1 per cent. had remaining maturities of one year or less or was payable on demand. In addition, ABQ is reliant on certain large deposits from a limited group of government-related and private sector corporate customers (see further "*—ABQ's investment securities and customer loan portfolios and deposit base are concentrated in Qatar and ABQ has significant individual customer concentrations*").

If a substantial portion of ABQ's depositors withdraw their demand deposits or do not roll over their time deposits at maturity, ABQ may need to seek other sources of funding or may have to sell assets to meet its funding requirements. There can be no assurance that ABQ will be able to obtain additional funding as and when required or at prices that will not affect ABQ's ability to compete effectively and, if ABQ is forced to sell assets to meet its funding requirements, it may suffer material losses as a result. In extreme cases, if ABQ is unable to refinance or replace such deposits with alternative sources of funding to meet its liquidity needs, through deposits, the interbank markets, the international capital markets or through asset sales, this would have a material adverse effect on ABQ's business, financial condition, results of operations and prospects and could, potentially, result in its insolvency.

***Market fluctuations and volatility may adversely affect the value of ABQ's positions in certain securities and make it more difficult to assess the fair value of certain of its assets***

ABQ has significant holdings of available-for-sale and other investment securities, principally comprising Government fixed income debt securities and other fixed income debt securities. As at 31 December 2016, the Group's investment securities portfolio amounted to QAR 5,571 million or 14.6 per cent. of the Group's total assets and fixed rate debt securities comprised 98.2 per cent. of the net investment securities portfolio. The Group earns interest income on the debt securities comprised in the portfolio. It also realises gains and losses on the sale of securities and records unrealised gains and losses resulting from the fair valuation of the securities at each balance sheet date in its consolidated statement of comprehensive income. The level of the Group's income from its investment securities depends on numerous factors beyond ABQ's control, such as overall market trading activity, interest rate levels, fluctuations in currency exchange rates and general market volatility.

In addition, the fair value of ABQ's fixed rate investment securities changes in response to perceived changes in the credit quality of the issuers of the securities as well as changes in interest and currency exchange rates (see further "*—ABQ's business, financial condition, results of operations and prospects are and will continue to be affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Qatar and, to a lesser extent, the other GCC countries could materially adversely impact ABQ*"). In an increasing interest rate environment the fair values of the Group's fixed rate investment securities are likely to decline which could expose the Group to fair valuation losses or losses on the sale of such securities. Similarly, a decline in the credit quality of any of the issuers of the debt securities held by the Group could result in the Group making impairments or write-offs in respect of those securities.

Valuations of the Group's investment securities in future periods, reflecting then-prevailing market conditions, may result in significant changes in their fair values and, where these changes are negative, could adversely affect the Group's results of operations. In addition, the value ultimately realised by ABQ in respect of any investment securities may be materially different from their current or estimated fair value. Any of these factors could require ABQ to recognise fair valuation losses or realise impairment charges, which would adversely affect its results of operations.

***ABQ is subject to extensive regulation and compliance with changes in, or the interpretation and enforcement of, this regulation, may be costly and any failure by ABQ to comply with this regulation may result in the application of penalties to ABQ***

ABQ is subject to a number of prudential and regulatory controls designed to maintain the safety and soundness of banks, ensure their compliance with economic and other objectives and limit their exposure to risk. In Qatar, these controls include laws and regulations promulgated by the QCB, the QFMA and the QSE and these controls are further described under "*Banking Industry and Banking Regulation in Qatar*".

In addition, in order to carry out and expand its businesses, it is necessary for ABQ to maintain or obtain a variety of licences, permits, approvals and consents from various regulatory, legal, administrative, tax and other governmental authorities and agencies. The processes for obtaining these licences, permits approvals and consents are often lengthy, complex, unpredictable and costly. If ABQ is unable to maintain or obtain the relevant licences, permits, approvals and consents, its ability to achieve its strategic objectives could be impaired.

The regulations to which ABQ is subject may limit its ability to carry on certain parts of its business, increase its loan portfolio or raise capital or may impose significant additional costs on ABQ. For example, in February 2011 conventional banks in Qatar were required by the QCB to cease carrying on Islamic banking operations by 31 December 2011. In response to this requirement, ABQ closed its Islamic banking operations. In April 2011, the QCB imposed a cap on the amount of loans that could be made available to retail customers in Qatar and limited the interest payable on such loans and on credit cards held by such customers and these restrictions remain in force.

Changes in applicable regulations may also increase ABQ's cost of doing business. It is not always possible for ABQ to anticipate when a new regulation will be introduced by the Qatari authorities. This creates a risk that the profitability of ABQ may be adversely affected as a result of it being unable to adequately prepare for regulatory changes introduced by the Qatari authorities. In addition, increased regulations or changes in laws and regulations and the manner in which they are interpreted or enforced may have a material adverse effect on ABQ's business, financial condition, results of operations or prospects. Furthermore, non-compliance by ABQ with any applicable regulations could expose ABQ to potential liabilities and fines, which may be significant. In addition, Banking Law No. 13 of 2012 (the "**Banking Law**") provided for establishing a single financial regulator in Qatar, which will oversee banking, insurance and securities sectors. Once implemented, this may change the way that current regulations are implemented or enforced in a manner that may be adverse to ABQ.

ABQ is also required to comply with applicable know your customer, anti-money laundering and counter-terrorism financing laws and regulations in Qatar including those related to countries subject to sanctions by the United States Office of Foreign Assets Control ("**OFAC**"), similar regulations of the European Union (the "**EU**") and other jurisdictions, and applicable anti-corruption laws in the jurisdictions in which it conducts business. To the extent that ABQ fails or is perceived to fail to comply with these and other applicable laws and regulations, its reputation could be materially damaged, with consequent adverse effects on its business, financial condition, results of operations and prospects.

***A negative change in ABQ's credit rating could limit its ability to raise funding and may increase its borrowing costs***

ABQ currently has long-term foreign currency issuer default ratings of A2 with stable outlook from Moody's and A+ with stable outlook from Fitch. These ratings, which are intended to measure ABQ's ability to meet its debt obligations as they mature, are an important factor in determining ABQ's cost of borrowing funds.

The current difficulties in the macro-economic climate, particularly the concerns around the decline in global crude oil prices, have prompted Moody's to place Qatar's Aa2 government bond ratings on review for a potential downgrade. On 7 March 2016, Moody's placed 26 banks in the GCC (including two banks in Qatar) on review for a potential downgrade. ABQ was not included in this list and its ratings have not been affected. It is not possible to predict the outcome of such review or the impact any downgrading of Qatar's credit rating may have on the ratings of Qatari banks.

A downgrade of ABQ's credit rating, or a change in the outlook to negative, may limit its ability to raise funding and increase its cost of borrowing, which could adversely affect its business, financial condition,

results of operations and prospects. A downgrade of ABQ's credit rating (or announcement of a negative ratings outlook) may also limit its ability to raise capital. Moreover, actual or anticipated changes in ABQ's credit rating may affect the market value of the Notes issued under the Programme.

Each rating agency expressly notes that the probability of Government support for ABQ in case of need is a key factor underpinning the rating. However, although the Government has in the past supported its domestic banks (for example, in the aftermath of the global financial crisis as discussed under "*Banking Industry and Banking Regulation in Qatar—Banking System*"), it is important to note that the Government is under no obligation (contractual or otherwise) to support any Qatari bank (including ABQ) and there is no certainty that the Government will do so again in the future. As a result, investors should not rely on there being any such future support from the Government when making their investment decision.

In addition, the credit rating assigned to ABQ may not reflect the potential impact of all risks related to an investment in the Notes, the market or any additional factors discussed in this document, and other factors may affect the value of the Notes. A securities rating is not a recommendation to buy, sell or hold securities. Ratings may be subject to revision or withdrawal at any time by the assigning rating organisation and each rating should be evaluated independently of any other rating.

***The banking industry is competitive and, in particular, ABQ is exposed to significant competition in Qatar***

ABQ faces high levels of competition for all of its products and services. In particular, in Qatar ABQ competes with other domestic banks and such competition may increase. Some of ABQ's competitors have significantly greater resources and ABQ is, therefore, potentially exposed to any aggressive competitive positions taken by those other banks. In addition, as a financial institution with a strategy to grow its business, ABQ may need to offer better pricing, products or service quality than its competitors in order to gain market share and there is no assurance that ABQ will be able to do this at all or at a cost that does not adversely affect its results of operations.

In addition, ABQ believes that the Qatari banking sector faces increased pressure for consolidation and that one or more of its current competitors in Qatar may in the future consider acquiring or merging with each other. Any such mergers which do not involve ABQ could result in the creation of competitors that are significantly bigger than ABQ and which have significantly greater resources with which to compete effectively. In addition to domestic banks, international banks are increasing their presence in Qatar, either directly or through strategic investments, and these banks compete with ABQ for wholesale corporate and government business.

As at 31 December 2016, there were a total of 18 banks registered with the QCB in Qatar. In addition to these banks, more international banks are expected to commence business through the QFC, which would allow them to compete for large corporate and government business (see further "*Banking Industry and Banking Regulation in Qatar*"). The competitive nature of the Qatari banking market and any failure by ABQ to continue to compete successfully in its target markets in Qatar may adversely affect ABQ's business, financial condition, results of operations and prospects.

***A recurrence of rising inflation, or deflation, may adversely affect ABQ's profitability***

There was year on year inflation in Qatar of 1.8 per cent. and 3.4 per cent. as of 31 December 2015 and 2014, respectively. Historically, inflation has increased staff and living expenses and any recurrence of higher levels of inflation in the future is likely to increase such expenses further. High inflation could slow the rate of economic growth and consumer spending in Qatar. A deflationary environment in Qatar could also adversely affect ABQ's profitability by adversely affecting property values, which could have an adverse effect on ABQ's real estate loan portfolio. Thus, high rates of inflation or deflation could have a material adverse effect on ABQ's business. Although the Government and the QCB have announced their intention to continue to take measures to ensure that inflation is stabilised, there can be no assurance that the Government and the QCB will be able to achieve or maintain price stability, in the real estate market or otherwise and thus control inflation.

***ABQ's financial condition and results of operations could be adversely affected by market risks***

ABQ's financial condition and results of operations could be affected by market risks that are outside its control, including, without limitation, volatility in interest rates, prices of securities and currency exchange rates. Fluctuations in interest rates could adversely affect ABQ's financial condition and results of operations in a number of different ways. In particular, an increase in interest rates generally may decrease the value of ABQ's fixed-rate loans and the debt securities in its investment securities portfolio and may raise ABQ's funding costs. As a result, ABQ may experience a reduction in its net interest income. See Note 4(d)(iii) to the 2016 Financial Statements which illustrates the Group's interest rate sensitivity risk at 31 December 2016 and also "*Risk Management—Market Risk—Interest rate risk*". Interest rates are sensitive to many factors beyond ABQ's control including the policies of central banks, such as the QCB and the U.S. Federal Reserve, political factors and domestic and international economic conditions. In December 2015, the United States Federal Reserve raised interest rates for the first time since 2006 (to a range from 0.25 per cent. to 0.50 per cent.). In December 2016, the United States Federal Reserve raised interest rates for the second time since 2006 (to a range from 0.50 per cent. to 0.75 per cent.). If the pace of U.S. interest rate movements develops as expected, it will likely further exacerbate reduced liquidity and will adversely impact net interest margins and funding costs. Whether the QCB will raise interest rates in tandem with the United States Federal Reserve remains to be seen.

ABQ's financial condition and results of operations may also be affected by changes in the market value of its securities portfolio (see further "*—Market fluctuations and volatility may adversely affect the value of ABQ's positions in certain securities and make it more difficult to assess the fair value of certain of its assets*").

ABQ maintains its accounts, and reports its results, in Qatari riyals. The Qatari riyal has been officially pegged at a fixed exchange rate of QAR 3.64 to the U.S. dollar since 2001. ABQ is exposed to the potential impact of any alteration to, or abolition of, this foreign exchange peg. Also, as a financial intermediary, ABQ is exposed to foreign exchange rate risk. This risk includes the possibility that the value of a foreign currency asset or liability will change due to fluctuations in currency exchange rates as well as the possibility that ABQ may have to close out any long or short open position in a foreign currency at a loss, due to an adverse movement in exchange rates. ABQ generally employs cross-currency forwards, options and swaps to match the currencies of its assets and liabilities. Any open currency position is maintained within the limits set by the QCB. However, where ABQ is not so hedged, ABQ is exposed to fluctuations in foreign exchange rates and any such hedging activity may not in all cases protect ABQ against such risks.

Adverse movements in foreign exchange rates may also negatively impact the revenues and financial condition of ABQ's depositors and borrowers, which in turn may impact ABQ's deposit base and the quality of its exposures to certain borrowers.

Ultimately, there can be no assurance that ABQ will be able to protect itself from any adverse effects of a currency revaluation or future volatility in interest rates or currency exchange rates, which could have a material adverse effect on its business, financial condition, results of operations and prospects. See also "*—ABQ's business, financial condition, results of operations and prospects are and will continue to be affected by global and regional financial markets and economic conditions and any deterioration in economic conditions in Qatar and, to a lesser extent, the other GCC countries could materially adversely impact ABQ*".

***ABQ is exposed to a range of operational risks. In particular, any failure of ABQ's information technology systems could have a material adverse effect on its business and reputation***

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of ABQ's counterparties or vendors). ABQ has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks ABQ faces. Losses from the failure of ABQ's system of internal controls could have a material adverse effect on its business, financial condition, results of operations and prospects and could materially adversely affect its reputation.

ABQ depends on its information technology systems to process a large number of transactions on an accurate and timely basis, and to store and process substantially all of ABQ's business and operating data. The proper functioning of ABQ's financial control, risk management, credit analysis and reporting, accounting, customer service and other information technology systems, as well as the communication networks between its branches and main data processing centres, are critical to ABQ's business and ability to compete effectively. ABQ's business activities would be materially disrupted if there were a partial or complete failure of any of these information technology systems or communications networks. Such failures can be caused by a variety of factors, many of which are wholly or partially outside of ABQ's control including natural disasters, extended power outages and computer viruses or other malicious intrusions. The proper functioning of ABQ's information technology systems also depends on accurate and reliable data and other system inputs, which are subject to human errors. Any failure or delay in recording or processing ABQ's transaction data could subject it to claims for losses and regulatory fines or penalties. ABQ has implemented and tested business continuity plans and processes as well as disaster recovery procedures, but there can be no assurance that these safeguards will be fully effective and any failure may have a material adverse effect on ABQ's business and reputation.

***ABQ's risk management policies and procedures may not be effective in all circumstances and may leave it exposed to unidentified or unanticipated risks***

ABQ's risk management strategies and internal controls may not be effective in all circumstances and may leave ABQ exposed to unidentified or unanticipated risks. There can be no assurance that ABQ's risk management and internal control policies and procedures will adequately control, or protect ABQ against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by ABQ's risk management systems. Some of ABQ's methods of managing risk are based upon the use of historical market data which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures currently indicate. In addition, certain risks could be greater than ABQ's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which ABQ operates, its clients or other matters that are publicly available or information otherwise accessible to ABQ. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in ABQ's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on ABQ's business, financial condition, results of operations and prospects.

***ABQ's internal compliance systems might not be fully effective in all circumstances***

ABQ's ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel appropriately trained and qualified to manage and monitor such systems and procedures. Although ABQ is subject to oversight by regulatory authorities, including regular examination activity, performs regular internal audits and employs an external auditor to monitor and test its compliance systems, ABQ cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against ABQ. In the case of actual or alleged non-compliance with applicable regulations, ABQ could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these could have a material adverse effect on ABQ's business, financial condition, results of operations and prospects.

***ABQ's major shareholders may be able to exert significant control over ABQ and their interests may, in certain circumstances, conflict with those of Noteholders***

As at 31 December 2016, Qatar Holding LLC and the Qatar Foundation for Education, Science and Community Development were ABQ's most significant shareholders, collectively holding approximately 47 per cent. of ABQ's outstanding voting shares.

In accordance with ABQ's by-laws, two members of the board of directors of ABQ (the "**Board**") are appointed by the Qatar Foundation for Education, Science and Community Development and the remaining directors are elected by the shareholders for three-year terms. A proposal at an extraordinary general assembly of shareholders of ABQ requires a vote of two-thirds of the shareholders present at the

meeting to be passed, while an absolute majority vote is required to pass a proposal at an annual general assembly. As a result, Qatar Holding LLC and Qatar Foundation for Education, Science and Community Development may be able to block certain actions or resolutions proposed at ABQ's annual or extraordinary assembly of shareholders.

Consequently, investors should note that the interests of ABQ's shareholders may, in certain circumstances, be different from those of ABQ's creditors (including the holders of the Notes) and, in those circumstances, the holders of the Notes could be disadvantaged.

***ABQ may need to raise further capital in the future for a variety of reasons and such capital may be difficult to raise when needed***

As at 31 December 2016, the Group's tier 1 capital adequacy ratio and total capital adequacy ratio (each as determined in accordance with Basel III requirements as adopted by the QCB) were 15.46 per cent. and 15.62 per cent. respectively, compared to the QCB's requirements of a minimum tier 1 capital adequacy ratio of 10.5 per cent. and a minimum total capital ratio of 12.5 per cent.

A variety of factors affect the Group's capital adequacy levels, including, in particular, changes in its risk weighted assets and its profitability from period to period. A significant increase in lending in the future is likely to reduce the Group's capital adequacy ratios and any future losses experienced by it would have a similar effect. In addition, regulatory requirements in relation to the calculation of capital adequacy and required levels of capital adequacy change from time to time. The Group may also need to increase its capital as a result of market perceptions of adequate capitalisation levels and the perceptions of rating agencies.

As a result, ABQ may need to obtain additional capital in the future. Such capital, whether in the form of debt financing or additional equity, may not be available on commercially favourable terms, or at all. Moreover, should the Group's capital ratios fall close to regulatory minimum levels or ABQ's own internal minimum levels, ABQ may need to adjust its business practices, including reducing the risk and leverage of certain activities. If ABQ is unable to maintain satisfactory capital adequacy ratios, its credit ratings may be lowered and its cost of funding may therefore increase.

***ABQ may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy***

ABQ's success and ability to maintain current business levels and sustain growth will depend, in part, on its ability to continue to recruit and retain qualified and experienced banking and management personnel. The market for such personnel in the Middle East is intensely competitive and ABQ could face challenges in recruiting and retaining such personnel to manage its businesses.

ABQ depends on the efforts, skill, reputation and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent ABQ from implementing its strategies. ABQ is also not insured against losses that may be incurred in the event of the loss of any member of its key personnel.

ABQ's failure to recruit, train and/or retain necessary personnel or its inability to dismiss certain employees could have a material adverse effect on its business, results of operations, financial condition and prospects.

***ABQ's accounting policies and methods are critical to how it reports its financial condition and results of operations and require management to make estimates about matters that are uncertain***

Accounting policies and methods are fundamental to how ABQ records and reports its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so that they comply with IFRS.

Management has identified certain accounting policies in the notes to its financial statements as being critical because they require management's judgment to ascertain the valuations of assets, liabilities, commitments and contingencies. See Note 3 and Note 5 to the Financial Statements. These judgments include, for example, the determination of impairment allowances and fair values of assets and liabilities.

A variety of factors could affect the ultimate value that is obtained either when earning income, recognising an expense, recovering an asset or reducing a liability. ABQ has established policies and control procedures that are intended to ensure that these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. Because of the uncertainty surrounding ABQ's judgments and the estimates pertaining to these matters, ABQ cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

Further, potential changes to accounting policies or reclassifications could have a material adverse effect on the financial condition or results of operation of the Group. For a summary of revised reporting standards which have been issued and are not yet effective and which, accordingly, the Group has not yet applied, see Note 3(y) to the 2016 Financial Statements.

***From time to time, ABQ may be a defendant in various legal proceedings and may, from time to time, be subject to inspections by tax and other authorities***

ABQ may, from time to time, be a defendant in legal proceedings in connection with and stemming from its business activities. ABQ may also, from time to time, be subject to inspections by tax and other authorities. However, ABQ is not able to predict the ultimate outcome of any of the claims currently pending against it or future claims or investigations that may be brought against it, which may be in excess of its existing provision for legal cases. Adverse outcomes in existing or future proceedings, claims or investigations could have a material adverse effect on ABQ's business, financial condition, results of operations or prospects and thereby affect ABQ's ability to perform its obligations under the Notes.

#### **Factors relating to investments in Qatar and the GCC**

***Emerging markets such as Qatar and other GCC markets are subject to greater risks than more developed markets, and financial volatility in emerging markets could negatively impact ABQ's business***

Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Investors should also note that emerging markets such as Qatar and the GCC are subject to rapid change and that the information set forth in this Base Prospectus may become outdated relatively quickly. Moreover, financial turmoil in any emerging market country tends to adversely affect confidence in other emerging market countries and cause investors to move their money to more developed markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Qatar and the GCC and adversely affect those economies. In addition, during such times, companies that operate in emerging markets can face liquidity constraints as foreign funding sources are withdrawn and this could also adversely affect ABQ's business and result in a decrease in the price of the Notes issued under the Programme.

Specific risks in Qatar and the MENA region that could have a material adverse effect on ABQ's business, financial condition, results of operations and prospects include, without limitation, the following:

- regional political instability, including government or military regime change, riots or other forms of civil disturbance or violence, including through acts of terrorism;
- military strikes or the outbreak of war or other hostilities involving nations in the region;
- a material curtailment of the industrial and economic infrastructure development that is currently underway across the MENA region;
- government intervention, including expropriation or nationalisation of assets or increased levels of protectionism;
- an increase in inflation and the cost of living;

- cancellation of contractual rights, expropriation of assets and/or inability to repatriate profits and/or dividends;
- increased government regulations, or adverse governmental activities, with respect to price, import and export controls, the environment, customs and immigration, capital transfers, foreign exchange and currency controls, labour policies and land and water use and foreign ownership;
- arbitrary, inconsistent or unlawful government action;
- changing tax regimes, including the imposition or increase of taxes in tax favourable jurisdictions such as Qatar;
- difficulties and delays in obtaining governmental and other approvals for operations or renewing existing ones;
- inability to repatriate profits or dividends and restrictions on the right to convert or repatriate currency or export assets; and
- potential adverse changes in laws and regulatory practices, including legal structures and tax laws.

There can be no assurance that either the economic performance of, or political stability in, Qatar or other countries in which ABQ may in the future operate, can or will be sustained. Investors should note that a worsening of current financial market conditions, instability in certain sectors of the Qatari or regional economies or major political upheaval in Qatar or the MENA region could lead to decreased investor and consumer confidence, market volatility, economic disruption, and declines in real estate markets and, as a result, could have an adverse effect on the business, results of operations, financial condition and prospects of ABQ.

***Qatar is located in a region that is subject to ongoing political and security concerns***

A number of countries located in the MENA region are either experiencing, or have in the recent past experienced, political instability, domestic turmoil, violence and armed conflict. In particular, since early 2011 there has been political unrest in a range of countries in the MENA region, including Egypt, Algeria, the Hashemite Kingdom of Jordan, Libya, the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the Republic of Yemen, the Republic of Iraq (Kurdistan), Syria, Palestine, Tunisia and the Sultanate of Oman. This unrest has ranged from public demonstrations to, in extreme cases, terrorist acts and armed conflict (including the multinational conflict with Islamic State (also known as Daesh, ISIS or ISIL)) and the overthrow of existing leadership and has given rise to increased political uncertainty across the region. These situations have caused significant disruption to the economies of affected countries and have had a destabilising effect on international oil and gas prices.

These recent and ongoing developments, along with acts of maritime piracy and other forms of instability in the MENA region, such as tensions between the United States, Israel and Iran, that may or may not directly involve Qatar, could have an adverse effect on Qatar's economy and its ability to engage in international trade which, in turn, could have an adverse effect on ABQ's business, financial condition, results of operations and prospects.

***The Qatar and GCC legal systems continue to develop and this may create an uncertain environment for investment and business activity***

Qatar and many of the GCC countries are in various stages of developing their legal and regulatory institutions. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Qatar and the GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Qatar and the GCC may have a material adverse effect on the rights of the holders of any Notes issued under the Programme or the investments that ABQ has made or may make in the future, which may in turn have a material adverse effect on ABQ's business, operating results, cash flows, prospects and financial condition.

***The statistical data contained in this document should be treated with caution by prospective investors***

Statistics contained in this document, including in relation to GDP, money supply, inflation and indebtedness of the Government, have been obtained from, among other sources, the QCB and the IMF. Such statistics, and the component data on which they are based, may not have been compiled in the same manner as data provided by other sources and may be different from statistics published by third parties, reflecting the fact that the underlying assumptions and methodology may vary from source to source.

There may also be material variances between preliminary, estimated or projected statistics set forth in this document and actual results, and between statistics set forth in this document and corresponding data previously published by or on behalf of Qatar. Consequently, the statistical data contained in this document should be treated with caution by prospective investors.

***Qatar has a relatively new insolvency law and there is no certainty as to how Qatari courts will construe or enforce such law in the event of a bankruptcy affecting ABQ***

Qatar has adopted a relatively new bankruptcy and insolvency provision (part of the Commercial Code No. 27 of 2006) (the "**Bankruptcy Law**"), which came into effect on 13 May 2007. The Bankruptcy Law provisions are similar to those included in the Egyptian and most other GCC laws and relate largely to the declaration of bankruptcy, its effects and its administration, and include conciliation to prevent bankruptcy. However, because the Bankruptcy Law is relatively new and untested by the Qatari courts, there is no certainty as to how the Qatari courts would construe or enforce the Bankruptcy Law in the event of a bankruptcy affecting ABQ. There can also be no assurance that a Qatari court would compel a bankruptcy administrator to perform any of the Issuer's or ABQ's obligations under the Notes or the Deed of Guarantee, as applicable, during an administration period. The Bankruptcy Law also enables Qatari courts to defer adjudication of a company's bankruptcy if the court decides that it is possible to improve that company's financial position during a period (such period to be specified by the court) or if judged to be in the interest of the national economy. Similarly, given the lack of precedent, there is no certainty as to if and how the QCB might exercise its powers of temporary management and control under the Banking Law (including putting a financial institution into liquidation) in relation to financial institutions experiencing financial difficulties.

***The future attitude of Qatari courts and the related interpretation or application of Qatari law regarding the payment of interest cannot be predicted***

Although under the laws of Qatar, contractual provisions for the charging and payment of interest are not prohibited and have been routinely enforced by the Qatari courts, a court applying Qatari law may not enforce such a provision either to pay interest on or, to the extent that, on a given date, accrued but unpaid interest exceeded outstanding principal, such amounts. Thus, the future attitude of the Qatari courts and the related interpretation or application of Qatari law regarding the payment of interest cannot be predicted.

***There is no principle of binding precedent in the Qatari courts***

There is no doctrine of binding precedent in the Qatari courts and reports of the decisions of the Qatari courts are not always published. As a result, any experience with and knowledge of prior rulings of the Qatari courts may not be a reliable basis on which to predict decisions that Qatari courts may render in the future. Thus, the outcome of any legal dispute remains uncertain.

**Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

***Risks related to the structure of a particular issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

### ***Notes subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Notes may be redeemed prior to maturity in the event of taxation***

Unless in the case of any particular Tranche of Notes the relevant Final Terms specifies otherwise, if the Issuer or ABQ would be obliged to pay additional amounts in respect of any Notes as provided in Condition 8 due to any change of law in, or amendment to, the laws or regulations of the Cayman Islands or Qatar or any political subdivision or authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, the Issuer may redeem all outstanding Notes in accordance with the terms and conditions of the Notes (the "**Conditions**"). See Condition 6(c) for further details.

### ***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

### ***Because the relevant Global Note or Global Certificate is held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or ABQ***

Notes issued under the Programme may be represented by one or more Global Notes or Global Certificates. Such Global Notes or Global Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note or Global Certificate, investors will not be entitled to receive definitive Notes or Certificates. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Notes or Global Certificates. While the Notes are represented by one or more Global Notes or Global Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Notes are represented by one or more Global Notes or Global Certificates the Issuer and ABQ will discharge their payment obligations under the Notes by making payments to the, where applicable, common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note or Global Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. Both the Issuer and ABQ have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in a Global Note or Global Certificate will not have a direct right to vote in respect of the relevant Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg and their respective participants to appoint appropriate proxies. Similarly, holders of beneficial interests in a Global Note or Global Certificate will not have a direct right under such Global Note or Global Certificate to take enforcement action against the Issuer or ABQ in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant.

## **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

### ***Modification and waivers***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and to obtain Written Resolutions (as defined in the Agency Agreement (as defined herein)) on matters relating to the Notes from Noteholders without calling a meeting. A Written Resolution signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes of the relevant Series who for the time being are entitled to receive notice of a meeting in accordance with the provisions of the Agency Agreement and whose Notes are outstanding shall, for all purposes, take effect as an Extraordinary Resolution.

In certain circumstances, where the Notes are held in global form in the clearing systems, the Issuer will be entitled to rely upon:

- (i) where the terms of the proposed resolution have been notified through the relevant clearing system(s), approval of a resolution proposed by the Issuer or ABQ, as the case may be, given by way of electronic consents communicated through the electronic communications systems of the relevant clearing systems in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes of the relevant Series for the time being outstanding (the "**Required Proportion**") ("**Electronic Consent**") by close of business on the Relevant Date; and
- (ii) where electronic consent is not being sought: (a) consent or instructions given in writing directly to the Issuer and/or ABQ, as the case may be, by accountholders in the clearing systems with entitlements to such Global Note or Global Certificate; and/or (b) where the accountholders hold such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above.

A Written Resolution or an electronic consent as described above may be effected in connection with any matter affecting the interests of Noteholders, including the modification of the Conditions, that would otherwise be required to be passed at a meeting of Noteholders satisfying the special quorum in accordance with the provisions of the Agency Agreement, and shall for all purposes take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions also provide that the Issuer may, without the consent of the Noteholders, agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 11 of the Conditions.

### ***Change of law***

The Conditions are based on English law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the relevant Notes affected by it.

### ***Change of tax law***

Statements in this Base Prospectus concerning the taxation of investors are of a general nature and are based upon current law and practice in the jurisdictions stated. Such law and practice is, in principle, subject to change, possibly with retrospective effect, and this could adversely affect investors.

In addition, any change in legislation or in practice in a relevant jurisdiction could adversely impact (i) the ability of the Issuer and/or ABQ to service the Notes and (ii) the market value of the Notes.

#### ***Bearer Notes where denominations involve integral multiples***

In relation to any issue of Notes in bearer form which have denominations consisting of a minimum Specified Denomination (as defined herein) plus one or more higher integral multiples of another smaller amount, it is possible that the Notes may be traded in amounts that are not integral multiples of such minimum Specified Denominations (as defined in the Conditions). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time will not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

#### ***Enforcement of arbitration awards and foreign judgments in Qatar***

Under the Conditions of the Notes and the terms of the Guarantee, the parties have agreed that any dispute arising out of or in connection with the Notes and the Guarantee may be referred to and finally resolved by arbitration in accordance with the LCIA Arbitration Rules with the seat of arbitration in London.

If for any reason, notwithstanding the arbitration agreement, proceedings are brought against ABQ in Qatar and ABQ does not object to such proceedings, the Qatari courts would, in accordance with their normal practice, enforce the contractual terms of the Guarantee and the Notes (including the contractual choice of governing law other than Qatari law to govern the Guarantee and the Notes, to the extent that the provisions are consistent with mandatory provisions of Qatari law or public order or morality). However, it is worth noting that the interpretation and application of foreign law by the Qatar courts (as is the case in other jurisdictions) can on occasion be imperfect and there may be a tendency to construe provisions of a foreign law by analogy to similar (albeit not identical) provisions of Qatar law which may not adhere fully to the nuances of the foreign law accurately). Qatari courts have consistently enforced commercial interest obligations computed in accordance with the terms of the relevant agreement. It is, however, uncertain whether the Qatari courts would enforce the payment of default or delay interest, compound interest, or the payment of accrued interest which exceeds the amount of the principal sum. The Court of Cassation in Qatar recently refused to grant a claimant a right to receive default interest and instead awarded damages and such damages were lower than the contractual default interest.

In accordance with their normal practice, Qatari courts would uphold the choice of arbitration as a dispute resolution method. However, this would be subject to the same qualifications as are stated above with regard to choice of law and a Qatari court may not accept that its own jurisdiction had been excluded by any provision providing that the submission to any particular jurisdiction was exclusive.

Qatar is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"), with effect from 30 March 2003. The United Kingdom is also a party to the New York Convention and therefore an arbitration award made in England should be enforceable in Qatar subject to and in accordance with the terms of the New York Convention.

The interpretation and application of the New York Convention provision by the Qatari courts and the enforcement of foreign arbitration awards by the Qatari courts in accordance with the New York Convention is developing. The parameters of enforcement are starting to be tested more regularly in the Qatari courts. While the Qatari courts tend to be pro-enforcement, the jurisprudence is still evolving and there is a risk that a foreign arbitration award rendered in connection with the Notes may be refused enforcement by the Qatari courts.

#### ***Sovereign immunity***

Under the Notes and the Deed of Guarantee, each of the Issuer and the Guarantor, respectively, has waived its rights in relation to sovereign immunity in respect of such documents. However, there can be

no assurance as to whether such waivers of immunity from suit, execution, attachment or other legal proceedings by the Issuer or the Guarantor under the Notes or the Guarantee (as applicable) are valid and binding under Qatari law and enforceable in Qatar.

### **Risks related to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### ***The secondary market generally***

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Although application has been made for Notes issued under the Programme to be admitted to listing on the Official List and to trading on the Main Securities Market, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

#### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### ***Price volatility***

The market price of the Notes may be volatile, which could cause the value of a purchaser's investment to decline. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, and corresponding fluctuations in the prices of the Notes, may not be correlated in a predictable way to the performance or operating results of ABQ. Events and factors that may cause the prices of the Notes to fluctuate or decrease significantly from the issue price include variations in interest rates; general business, political, social and economic developments, particularly in the Middle East; and variations in actual or anticipated operating results of ABQ.

#### ***Interest rate risks***

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes. A drop in the level of interest rates will have a positive impact on the price of the Fixed Rate Notes, as such Notes pay a fixed annual rate of interest. Conversely, an increase in the interest rate level will have an adverse impact on the price of the Fixed Rate Notes. For investors holding the Fixed Rate Notes until maturity, any changes in the interest rate level during the term will not affect the yield of the Fixed Rate Notes, as the Fixed Rate Notes will be redeemed at par.

***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to an issue of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

***Investing in securities involving emerging markets generally involves a higher degree of risk, and the Notes may not be a suitable investment for all investors***

Investing in securities involving emerging markets, such as Qatar, generally involves a higher degree of risk than investments in securities of issues from more developed countries. These higher risks include, but are not limited to, higher volatility, limited liquidity and changes in the legal, economic and political environment.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risk involved.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche, the relevant Final Terms. The Issuer, the Guarantor and any relevant Dealer(s) may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions of the Notes, in which event, in the case of listed Notes only and, if appropriate, a supplementary prospectus will be published.*

<b>Issuer:</b>	ABQ Finance Limited
<b>Guarantor:</b>	Ahli Bank Q.S.C.
<b>Description:</b>	Guaranteed Euro Medium Term Note Programme
<b>Size:</b>	Up to U.S.\$1,500,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
<b>Arranger:</b>	HSBC Bank plc
<b>Dealers:</b>	Arab Banking Corporation (B.S.C.), Barclays Bank PLC, HSBC Bank plc, Mizuho International plc, QNB Capital LLC and Standard Chartered Bank.  The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to " <b>Permanent Dealers</b> " are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the Programme (and whose appointment has not been terminated) and references to " <b>Dealers</b> " are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
<b>Fiscal Agent:</b>	HSBC Bank plc
<b>Registrar:</b>	HSBC Bank plc
<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a " <b>Series</b> ") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a " <b>Tranche</b> ") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms (the " <b>Final Terms</b> ").
<b>Issue Price:</b>	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. The price and amount of Notes to be issued will be determined by the Issuer, ABQ and the relevant Dealer(s).

**Form of Notes:**

The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if: (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date; or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "*Selling Restrictions*" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**".

**Clearing Systems:**

Clearstream, Luxembourg, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, ABQ, the Fiscal Agent and the relevant Dealer.

**Initial Delivery of Notes:**

On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system **provided that** the method of such delivery has been agreed in advance by the Issuer, ABQ, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

**Currencies:**

Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Guarantor and the relevant Dealers.

**Maturities:**

Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, the Guarantor and the relevant Dealers.

**Specified Denomination:**

Definitive Notes will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the EEA or offered to the public in an EEA Member State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the UK Financial Services and Markets Act 2000, as amended ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies).

<b>Fixed Rate Notes:</b>	Fixed Rate Notes will bear fixed interest payable in arrear on the date or dates in each year as specified in the relevant Final Terms.
<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>(i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. or</li> <li>(ii) by reference to the Relevant Reference Rate as adjusted for any applicable margin.</li> </ul> <p>Interest periods will be specified in the relevant Final Terms.</p>
<b>Zero Coupon Notes:</b>	Zero Coupon Notes (as defined in " <i>Terms and Conditions of the Notes</i> ") may be issued at their nominal amount or at a discount to it and will not bear interest.
<b>Interest Periods and Interest Rates:</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
<b>Redemption:</b>	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
<b>Optional Redemption:</b>	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders and, if so, the terms applicable to such redemption.
<b>Guarantee:</b>	The Notes will be unconditionally and irrevocably guaranteed by the Guarantor.
<b>Status of Notes and Guarantee:</b>	The Notes and Guarantee will constitute direct, unconditional, unsubordinated and (subject to " <i>Terms and Conditions of the Notes – Negative Pledge</i> ") unsecured obligations of the Issuer and the Guarantor and will rank <i>pari passu</i> among themselves and (save for such exceptions as may be provided by applicable legislation and subject to " <i>Terms and Conditions of the Notes – Negative Pledge</i> ") at least equally with all other unsecured and unsubordinated obligations of the Issuer and the Guarantor, from time to time outstanding.

<b>Negative Pledge:</b>	The Notes will have the benefit of a negative pledge as described in " <i>Terms and Conditions of the Notes – Negative Pledge</i> ".
<b>Cross Default:</b>	The Notes will have the benefit of a cross default provision as described in " <i>Terms and Conditions of the Notes – Events of Default</i> ".
<b>Immunity:</b>	To the extent that the Issuer or the Guarantor, respectively, may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Guarantor or their respective assets or revenues, the Issuer and the Guarantor will agree in the Notes not to claim and will irrevocably and unconditionally waive such immunity to the fullest extent permitted by the laws of such jurisdiction. Further, the Issuer and the Guarantor, respectively, will irrevocably and unconditionally consent to the giving of any relief or the issue of any proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any legal or arbitral proceedings and disputes.
<b>Ratings:</b>	<p>The Programme has been assigned a senior unsecured provisional rating of (P)A2 long-term by Moody's.</p> <p>Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.</p> <p>A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>
<b>Early Redemption:</b>	Except as provided in " <i>Optional Redemption</i> " above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See " <i>Terms and Conditions of the Notes – Redemption, Purchase and Options</i> ".
<b>Withholding Tax:</b>	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of the Cayman Islands or Qatar, unless the withholding is required by law. In such event, the Issuer or the Guarantor shall, subject to the exceptions in Condition 8 ( <i>Taxation</i> ), pay such additional amounts as shall result in receipt by the Noteholder of such amounts as would have been received by it had no such withholding been required, all as described in " <i>Terms and Conditions of the Notes – Taxation</i> ".
<b>Governing Law:</b>	English law.
<b>Listing and Admission to Trading:</b>	Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the Main Securities Market and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer, the Guarantor and the relevant Dealer(s) in relation to the Series and as will be specified in the relevant Final Terms.

**Selling Restrictions:**

The United States, the United Kingdom, the Cayman Islands, the United Arab Emirates (the "**UAE**") (excluding the DIFC), the Dubai International Financial Centre ("**DIFC**"), Saudi Arabia, Bahrain, Qatar, Malaysia and Japan. See "*Subscription and Sale*".

The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for the purposes of Section 4701 of the U.S. Internal Revenue of 1986, as amended (the "**Code**")) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for the purposes of Section 4701 of the Code) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as varied in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an amended and restated agency agreement dated 6 February 2017 (as further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") between the Issuer, the Guarantor, HSBC Bank plc as fiscal agent and the other agents named in it and with the benefit of a deed of covenant dated 6 February 2017 (as amended and/or supplemented and/or restated from time to time, the "**Deed of Covenant**") executed by the Issuer and the Guarantor in relation to the Notes and a deed of guarantee dated 6 February 2017 (as amended and/or supplemented and/or restated from time to time, the "**Deed of Guarantee**"), executed by the Guarantor in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects.

Copies of the Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

### 1. **Form, Denomination and Title**

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon **provided that** in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for

all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

## 2. **No Exchange of Notes and Transfers of Registered Notes**

- (a) **No Exchange of Notes:** Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.
- (b) **Transfer of Registered Notes:** One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (c) **Exercise of Options or Partial Redemption in Respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (d) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(e)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in

the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (e) **Transfer Free of Charge:** Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered: (i) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d); (ii) after any such Note has been called for redemption; or (iii) during the period of seven days ending on (and including) any Record Date.

### 3. **Guarantee and Status**

- (a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Notes and the Coupons. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee.
- (b) **Status of Notes and Guarantee:** The Notes and the Coupons relating to them constitute (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer and the Guarantor respectively, present and future.

### 4. **Negative Pledge**

So long as any Note or Coupon remains outstanding (as defined in the Agency Agreement) neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will procure that none of their respective Material Subsidiaries will, create or have outstanding any mortgage, charge, lien, pledge or other security interest (each, a "**Security Interest**"), other than a Permitted Security Interest, upon the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure (i) any Relevant Indebtedness or Relevant Sukuk Obligation or (ii) any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation without at the same time or prior thereto according to the Notes, the Coupons and the Deed of Guarantee the same security as is created or subsisting to secure any such Relevant Indebtedness, Relevant Sukuk Obligation, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In this Condition:

"**Group**" means the Guarantor and its Subsidiaries taken as a whole;

"**Indebtedness**" means any present or future indebtedness of any Person for or in respect of moneys borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability arising under or in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;

- (d) the amount of any liability arising under or in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Material Subsidiary"** means any Subsidiary:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose revenues (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated total assets, or, as the case may be, the consolidated revenues of the Issuer or the Guarantor, as the case may be, and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated financial statements of the Issuer or the Guarantor, as the case may be; **provided that** in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer or the Guarantor, as the case may be, relate for the purpose of applying each of the foregoing tests, the reference to the Issuer's or the Guarantor's, as the case may be, latest audited consolidated financial statements shall be deemed to be a reference to such financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Issuer or the Guarantor for the time being after consultation with the Issuer or the Guarantor, as the case may be; or
- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon: (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, **provided that** on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (i) above.

A report by the Chief Executive Officer and the Chief Financial Officer of the Guarantor or two directors of the Issuer, as applicable, that in their opinion a Subsidiary is, or is not, or was, or was not, at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor and the Noteholders;

**"Non-recourse Project Financing"** means any financing of all or part of the costs of the acquisition, construction or development of any project, **provided that:** (i) any Security Interest given by the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be, is limited solely to assets of the project; (ii) the Person providing such financing expressly agrees to limit its recourse to the project financed and the revenues derived from such project as the principal source of repayment for the monies advanced; and (iii) there is no other recourse to the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be, in respect of any default by any Person under the financing;

**"Permitted Security Interest"** means:

- (a) any Security Interest securing any Relevant Indebtedness or Relevant Sukuk Obligation of a Person existing at the time that such Person is merged into, or consolidated with the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be, **provided that** such Security Interest was not created in contemplation of such merger or consolidation and does not extend to any other assets or property of the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be;
- (b) any Security Interest existing on any property or assets prior to the acquisition thereof by the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be,

**provided that** such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property of the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be (other than proceeds of such acquired assets or property), and **provided that** the maximum amount of Relevant Indebtedness or Relevant Sukuk Obligation thereafter secured by such Security Interest does not exceed the purchase price of such property or the Relevant Indebtedness incurred solely for the purpose of financing the acquisition of such property; or

- (c) any renewal of or substitution for any Security Interest permitted by any of paragraphs (i) to (ii) (inclusive) of this definition, **provided that** with respect to any such Security Interest the principal amount secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Relevant Indebtedness"** means any Indebtedness (whether being principal, premium, interest or other amounts), other than Indebtedness incurred in connection with a Non-recourse Project Financing or a Securitisation, which is in the form of, or represented or evidenced by, bonds, notes, debentures, debenture stock, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**"Relevant Sukuk Obligation"** means any undertaking or other obligation, other than any undertaking or obligation incurred in connection with a Non-recourse Project Financing or a Securitisation, to pay any money given in connection with the issue of certificates which are (or are intended to be) compliant with the principles of Shariah, whether issued directly or indirectly by the Issuer, the Guarantor or any member of the Group, whether or not in return for consideration of any kind, which for the time being are, or are intended to be, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, over-the-counter or other securities market;

**"Securitisation"** means any securitisation of existing or future assets and/or revenues, **provided that:** (i) any Security Interest given by the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be, in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues so securitised as the principal source of repayment for the money advanced or payment of any other liability; and (iii) there is no other recourse to the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be, in respect of any default by any person under the securitisation; and

**"Subsidiary"** means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer or the Guarantor, as applicable.

## 5. **Interest and other Calculations**

- (a) ***Interest on Fixed Rate Notes:*** Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f).
- (b) ***Interest on Floating Rate Notes:***
  - (i) ***Interest Payment Dates:*** Each Floating Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with

Condition 5(f). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, "Interest Payment Date" shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

- (ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) *ISDA Determination*

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified hereon;
- (y) the Designated Maturity is a period specified hereon; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) *Screen Rate Determination*

- (x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:
  - (i) the offered quotation; or
  - (ii) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(i) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(ii) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request the principal Relevant Financial Centre office of each of the Reference Banks to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and
- (z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the Relevant Financial Centre interbank market, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Financial Centre interbank market, **provided that**, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the

Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(C) *Linear Interpolation*

Where Linear Interpolation is specified hereon as applicable in respect of an Interest Accrual Period, the Rate of Interest for such Interest Accrual Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified hereon as applicable) or the relevant Floating Rate Option (where ISDA Determination is specified hereon as applicable), one of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Accrual Period and the other of which shall be determined as if the Applicable Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Accrual Period **provided however that** if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

"**Applicable Maturity**" means: (a) in relation to Screen Rate Determination, the period of time designated in the Reference Rate, and (b) in relation to ISDA Determination, the Designated Maturity.

- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).
- (d) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8 (*Taxation*)).
- (e) **Margin, Maximum/Minimum Rates of Interest, Redemption Amounts and Rounding:**
  - (i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.
  - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified hereon, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
  - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 of a percentage point being rounded up), (y) all figures shall be rounded to seven significant figures (**provided that** if the eighth significant figure is a five or greater, the seventh significant figure shall be rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with half a unit being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For

these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country of such currency.

- (f) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (g) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (h) **Definitions:** In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:
- "Business Day"** means:
- (i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
  - (ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

- (iii) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the **"Calculation Period"**):

- (i) if **"Actual/Actual"** or **"Actual/Actual - ISDA"** is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/365 (Fixed)"** is specified hereon, the actual number of days in the Calculation Period divided by 365;
- (iii) if **"Actual/365 (Sterling)"** is specified hereon, the actual number of days in the Calculation Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if **"Actual/360"** is specified hereon, the actual number of days in the Calculation Period divided by 360;
- (v) if **"30/360"**, **"360/360"** or **"Bond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

**"Y<sub>1</sub>"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"Y<sub>2</sub>"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"M<sub>1</sub>"** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**"M<sub>2</sub>"** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"D<sub>1</sub>"** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**"D<sub>2</sub>"** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if **"30E/360"** or **"Eurobond Basis"** is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30;

- (viii) if "**Actual/Actual-ICMA**" is specified hereon,
- (A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

**"Determination Period"** means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

**"Determination Date"** means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s);

**"Euro-zone"** means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended;

**"Interest Accrual Period"** means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date;

**"Interest Amount"** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

**"Interest Commencement Date"** means the Issue Date or such other date as may be specified hereon;

**"Interest Determination Date"** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

**"Interest Period"** means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date unless otherwise specified hereon;

**"Interest Period Date"** means each Interest Payment Date unless otherwise specified hereon;

**"ISDA Definitions"** means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

**"Rate of Interest"** means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

**"Reference Banks"** means, in the case of a determination of LIBOR, LIMEAN or LIBID, the principal London office of four major banks in the London inter-bank market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong inter-bank market, in the case of a determination of SIBOR, the principal Singapore office of four major banks in the Singapore inter-bank market, in the case of a determination of KIBOR, the principal Kuwait City office of four major banks in the Kuwait inter-bank market, in the case of a determination of KLIBOR, the principal Kuala Lumpur office of four major banks in the Kuala Lumpur inter-bank market, in the case of a determination of EIBOR, the principal Dubai office of four major banks in the Emirates inter-bank market, in the case of a determination of SAIBOR, the principal Riyadh office of four major banks in the Saudi Arabia inter-bank market, in the case of a determination of BBSW, the principal Sydney office of four major banks in the Australia inter-bank market, in the case of a determination of TRLIBOR or TRYLIBOR, the principal Istanbul office of four major banks in the Turkish inter-bank market, or in the case of a determination of TIBOR, the principal Tokyo office of four major banks in the Tokyo inter-bank market and, in the case of a determination of a Reference Rate that is not specified above, the principal office of four major banks in the inter-bank market of the Relevant Financial Centre, in each case selected by the Calculation Agent or as specified hereon;

**"Reference Rate"** means one of the following benchmark rates (as specified hereon) in respect of the currency and period specified hereon:

- (i) Euro interbank offered rate ("**EURIBOR**");
- (ii) London interbank bid rate ("**LIBID**");
- (iii) London interbank offered rate ("**LIBOR**");
- (iv) London interbank mean rate ("**LIMEAN**");
- (v) Hong Kong interbank offered rate ("**HIBOR**");
- (vi) Singapore interbank offered rate ("**SIBOR**");
- (vii) Kuwait interbank offered rate ("**KIBOR**");
- (viii) Kuala Lumpur interbank offered rate ("**KLIBOR**");
- (ix) Emirates interbank offered rate ("**EIBOR**");
- (x) Saudi Arabia interbank offered rate ("**SAIBOR**");
- (xi) Bank Bill Swap Rate ("**BBSW**");
- (xii) Turkish Lira interbank offered rate ("**TRLIBOR** or **TRYLIBOR**"); and
- (xiii) Tokyo interbank offered rate ("**TIBOR**");

**"Relevant Financial Centre"** means (i) London, in the case of a determination of LIBOR, LIBID and LIMEAN; (ii) Singapore, in the case of a determination of SIBOR; (iii) Brussels, in the case of a determination of EURIBOR; (iv) Kuwait City, in the case

of a determination of KIBOR; (v) Kuala Lumpur, in the case of a determination of KLIBOR; (vi) Dubai, in the case of a determination of EIBOR; (vii) Riyadh, in the case of a determination of SAIBOR; (viii) Sydney, in the case of a determination of BBSW; (ix) Istanbul, in the case of a determination of TRYLIBOR; (x) Tokyo, in the case of a determination of TIBOR; or (xi) Hong Kong, in the case of a determination of HIBOR, as specified hereon, or (xii) such other financial centre as specified hereon;

**"Relevant Screen Page"** means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any successor or replacement page, section, caption, column or other part of a particular information service);

**"Relevant Time"** means: (a) 11.00 a.m. (London time, in the case of a determination of LIBOR, LIMEAN and LIBID, Brussels time, in the case of a determination of EURIBOR, Hong Kong time, in the case of a determination of HIBOR, Singapore time, in the case of a determination of SIBOR, Kuwait time, in the case of a determination of KIBOR, Kuala Lumpur time, in the case of a determination of KLIBOR, Dubai time, in the case of a determination of EIBOR, Riyadh time, in the case of a determination of SAIBOR, Sydney time, in the case of a determination of BBSW, Istanbul time, in the case of a determination of TRLIBOR or TRYLIBOR or Tokyo time, in the case of a determination of TIBOR); or (b) Relevant Financial Centre time in the case of a determination of any other Reference Rate;

**"Specified Currency"** means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

**"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

- (i) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 6. **Redemption, Purchase and Options**

- (a) **Final Redemption:** Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount).
- (b) **Early Redemption:**
- (i) **Zero Coupon Notes:**
- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount

(calculated as provided below) of such Note unless otherwise specified hereon.

- (B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
  - (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).
  - (D) Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.
- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c), Condition 6(d) or Condition 6(e) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.
- (c) ***Redemption for Taxation Reasons:*** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, at any time (if this Note is not a Floating Rate Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or the State of Qatar ("**Qatar**") or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, **provided that** no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer (or the Guarantor, as the case may be) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be)

has or will become obliged to pay such additional amounts as a result of such change or amendment.

- (d) ***Redemption at the Option of the Issuer:*** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

- (e) ***Redemption at the Option of Noteholders:*** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount specified hereon (which may be the Early Redemption Amount (as described in Condition 6(b) above)), together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or the Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer

- (f) ***Purchases:*** Each of the Issuer, the Guarantor and their respective Subsidiaries (as defined in the Agency Agreement) may at any time purchase Notes (**provided that** all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price and such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor or their respective Subsidiaries, as the case may be, surrendered for cancellation as set out in Condition 6(g).

- (g) ***Cancellation:*** All Notes purchased by or on behalf of the Issuer, the Guarantor or any of their respective Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Notes shall be discharged.

7. **Payments and Talons**

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Notes (in the case of all payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(v)), as the case may be at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.
- (b) **Registered Notes:**
- (i) Payments of principal in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.
- (ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank:
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if: (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due; (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments Subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*). No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed in the Base Prospectus. The Fiscal Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Issuer shall at all times maintain: (i) a Fiscal Agent; (ii) a Registrar in relation to Registered Notes; (iii) a Transfer Agent in relation to Registered Notes; (iv) one or more Calculation Agent(s) where the Conditions so require; (v) Paying Agents having specified offices in at least two major European cities; and (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer and the Guarantor shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) ***Unmatured Coupons and unexchanged Talons:***

- (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmaturing Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmaturing Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmaturing Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).
  - (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmaturing Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
  - (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
  - (iv) Where any Bearer Note that provides that the relative unmaturing Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmaturing Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.
  - (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) ***Talons:*** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).
- (h) ***Non-Business Days:*** If any date for payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

- (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or
- (ii) (in the case of a payment in euro) which is a TARGET Business Day.

## 8. **Taxation**

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Notes and the Coupons or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands or Qatar or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Cayman Islands or Qatar other than the mere holding of, or receipt of payments with respect to, the Note or Coupon; or
- (b) **Presentation more than 30 days after the Relevant Date:** to the extent such taxes, assessments or governmental charges were imposed, levied, collected, withheld or assessed because the Note or Coupon was presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "**principal**" and/or "**interest**" shall be deemed to include any additional amounts that may be payable under this Condition 8 (*Taxation*).

Notwithstanding anything to the contrary in these Conditions, none of the Issuer, the Guarantor any paying agent or any other person shall be required to pay any additional amounts with respect to any withholding or deduction imposed on or with respect to any Note pursuant to Section 1471 to 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, the Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA.

## 9. **Prescription**

Claims against the Issuer and/or the Guarantor for payment in respect of the Notes and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. **Events of Default**

If any of the following events ("**Events of Default**") occurs, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

- (a) **Non-Payment:** default is made for more than 14 days (in the case of interest) or seven days (in the case of principal) in the payment on the due date of interest or principal in respect of any of the Notes; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in or under the Notes or the Guarantee which default is incapable of remedy (in which case no notice as is hereinafter mentioned will be required) or is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor, as the case may be, by any Noteholder requiring the same to be remedied; or
- (c) **Cross-Default:** (A) any other Indebtedness or Sukuk Obligation (as defined below) of the Issuer or the Guarantor or any of their respective Subsidiaries becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any default (howsoever described), or (B) any such Indebtedness or Sukuk Obligation is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or the Guarantor fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any Indebtedness or Sukuk Obligation, **provided that** each such event shall not constitute an Event of Default unless the aggregate amount of all such Indebtedness or Sukuk Obligation, either alone or when aggregated with all other Indebtedness or Sukuk Obligations in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$10,000,000 (or its equivalent in any other currency or currencies); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution, sequestration or other process is levied, enforced or sued out on or against a substantial part of the undertaking, assets or revenues of the Issuer or the Guarantor or any of their respective Material Subsidiaries and in any case (other than the appointment of an administrator) is not discharged or stayed within 30 days and such proceedings are not being actively contested in good faith by the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be; or
- (e) **Unsatisfied Judgment:** one or more judgments, orders or decrees of any court or regulatory or administrative agency for the payment of any sum in excess of U.S.\$10,000,000 (or its equivalent in any currency or currencies), either individually or in aggregate, is rendered against the Issuer, the Guarantor or any of their respective Subsidiaries and continues unsatisfied, unstayed and unappealed (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days) for a period of 30 days after the date thereof or, if later, the date therein specified for payment; or
- (f) **Insolvency:** any of the Issuer or the Guarantor or any of their respective Material Subsidiaries is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, or stops or threatens to stop payment of all or a material part of (or of a particular type of) its debts, or, save in connection with a Permitted Reorganisation, makes a general conveyance or assignment or an arrangement or composition with or for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of them) or, save in connection with a Permitted Reorganisation, any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of them) or initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, including the obtaining of a moratorium in respect of or affecting all or a significant part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Material Subsidiaries; or

- (g) **Winding-up:** court or other formal proceedings are initiated against the Issuer, the Guarantor or any of their respective Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application or petition is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor or any of their respective Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or the Issuer or the Guarantor or any of their respective Material Subsidiaries shall cease or through an official action of its board of directors threaten to cease to carry on the whole or a substantial part of its business or operations, in each case except for the purpose of and followed by a Permitted Reorganisation; or
- (h) **Government Intervention:** by or under authority of any government, (i) the management of the Issuer, the Guarantor or any of their respective Material Subsidiaries is wholly or substantially displaced or the authority of the Issuer, the Guarantor or any of their respective Material Subsidiaries in the conduct of its business is wholly or substantially curtailed or (ii) all or a majority of the issued share capital of the Issuer, the Guarantor or any of their respective Material Subsidiaries or the whole or substantial part of its undertaking or assets are seized, nationalised, expropriated or compulsorily acquired; or
- (i) **Unlawfulness:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Notes or the Guarantee or any of the obligations of the Issuer or the Guarantor thereunder are not or cease to be legal, valid, binding or enforceable; or
- (j) **Analogous Events:** any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (f), (g) and (h) above; or
- (k) **Guarantee:** the Guarantee is not or ceases to be (or is claimed by the Guarantor not to be) in full force and effect.

As used in these Conditions:

**"Permitted Reorganisation"** means:

- (i) any disposal by a Material Subsidiary of the whole or a substantial part of its business, undertaking or assets to the Issuer or the Guarantor or any other wholly-owned Subsidiary of the Issuer or the Guarantor;
- (ii) any amalgamation, consolidation or merger of a Material Subsidiary with any other Material Subsidiary or any other wholly-owned Subsidiary of the Issuer or the Guarantor; or
- (iii) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution (as defined in the Agency Agreement); and

**"Sukuk Obligation"** means any undertaking or other obligation to pay money given in connection with the issue of certificates whether or not in return for consideration of any kind.

## 11. Meeting of Noteholders and Modifications

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an

Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, or (viii) to modify or cancel the Guarantee, in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent. or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification of Agency Agreement:** The Fiscal Agent, the Issuer and the Guarantor may agree, without the consent of the Noteholders or Couponholders, to: (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Guarantee, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or (b) any modification of the Notes, the Coupons, the Deed of Guarantee, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.
- (c) **Substitution:** The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Coupons and the Talons, any company (the "**Substitute**") that is the Guarantor, or a Subsidiary (as defined in the Agency Agreement) of the Guarantor, **provided that** no payment in respect of the Notes or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "**Deed Poll**"), to be substantially in the form scheduled to the Agency Agreement as Schedule 8, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) where the Substitute is not the Guarantor, the obligations of the Substitute under the Deed Poll, the Notes, Coupons, Talons and Deed of Covenant shall be unconditionally guaranteed by the Guarantor by means of the Deed Poll and the Deed of Guarantee, (iii) all action, conditions and things required to be taken, fulfilled

and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute, and in the case of the Deed Poll and the Deed of Guarantee of the Guarantor have been taken, fulfilled and done and are in full force and effect, (iv) the Substitute shall have become party to the Agency Agreement, with any appropriate consequential amendments, as if it had been an original party to it, (v) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this paragraph (c) and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll, and, where the Deed Poll contains a guarantee, references in these Conditions to the Guarantee shall be deemed to include the guarantee granted in respect of the Substitute.

12. **Replacement of Notes, Certificates, Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

13. **Further Issues**

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as a particular series of Notes (so that, for the avoidance of doubt, references in these Conditions to "**Issue Date**" shall be to the first issue date of the relevant series of Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

14. **Notices**

Notices to the holders of Registered Notes shall be mailed to them (or to the first named of joint holders) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the *Financial Times*). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above. The Issuer and the Guarantor shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which Notes are for the time being listed, or by which they have for the time being been, admitted to trading.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition 14.

15. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

16. **Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. **Governing Law and Jurisdiction**

(a) **Governing Law:** The Notes, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Arbitration:** Any dispute, claim, difference or controversy arising out of, related to, or having any connection with the Notes, the Coupons and the Talons (including any dispute regarding their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity or a dispute relating to any non-contractual obligations arising out of or in connection with them) (a "**Dispute**") shall be referred to and finally resolved by arbitration in accordance with the Arbitration Rules of the London Court of International Arbitration (the "**Rules**"), which Rules (as amended from time to time) are incorporated by reference into this Condition 17(b). For these purposes:

(i) the seat of arbitration shall be London;

(ii) there shall be three arbitrators each of whom shall be disinterested in the arbitration, shall have no connection with any party to the Dispute and shall be an attorney experienced in international securities transactions. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator, and a third arbitrator (who shall act as presiding arbitrator) shall be nominated by the arbitrators nominated by or on behalf of the claimant(s) and respondent(s) or, in the absence of agreement on the third arbitrator within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, shall be chosen by the LCIA Court (as defined in the Rules); and

(iii) the language of the arbitration shall be English.

(c) **Joinder:** The following shall apply to any Dispute arising out of or in connection with the Notes in respect of which a Request for Arbitration has been served. In relation to any such Disputes if, in the absolute discretion of the first arbitral tribunal to be appointed in any of the Disputes, they are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes, **provided that** no date for the final hearing of the first

arbitration has been fixed. If that arbitral tribunal so orders, the parties to each Dispute which is a subject of its order shall be treated as having consented to that Dispute being finally decided:

- (i) by the arbitral tribunal that ordered the consolidation unless the LCIA Court decides that arbitral tribunal would not be suitable or impartial; and
  - (ii) in accordance with the procedure, at the seat and in the language specified in the relevant agreement under which the arbitral tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the arbitral tribunal in the consolidated proceedings.
- (d) ***Appointment of a Process Agent:*** Each of the Issuer and the Guarantor irrevocably appoints Maples and Calder at its registered office at 11<sup>th</sup> Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer (or the Guarantor)). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, each of the Issuer and the Guarantor shall forthwith appoint a substitute agent for service of process in England and shall notify Noteholders of such appointment in accordance with Condition 14. Each of the Issuer and the Guarantor will procure that, so long as any of the Notes remain outstanding, a person with an office in London shall be appointed to accept service. Nothing herein shall affect the right to serve process in any manner permitted by law.
- (e) ***Waiver of Immunity:*** The Issuer and the Guarantor acknowledge that the transactions contemplated by the Notes are commercial transactions and, to the extent that any of the Issuer or the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, jurisdiction, enforcement, prejudgment proceedings, injunctions, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process or relief and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or the Guarantor or any of their respective assets or revenues, each of the Issuer and the Guarantor agrees not to claim and irrevocably and unconditionally waives such immunity to the fullest extent permitted by the laws of such jurisdiction. In addition, each of the Issuer and the Guarantor, irrevocably and unconditionally consents to the giving of any relief or the issue of any proceedings, including, without limitation, the making, enforcement or execution against any of its assets whatsoever (irrespective of its intended use) of any order, prejudgment or judgment made or given in connection with any legal or arbitral proceedings or Disputes.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### 1. **Initial Issue of Notes**

Global Notes and Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary.

Upon the initial deposit of a Global Note with the Common Depositary or registration of Registered Notes in the name of a nominee of the Common Depositary for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### 2. **Relationship of Accountholders with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### 3. **Exchange**

#### 3.1 ***Temporary Global Notes***

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

- (i) if the relevant Final Terms indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "*Overview of the Programme – Selling Restrictions*"), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

#### 3.2 ***Permanent Global Notes***

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes:

- (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or

- (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### 3.3 Permanent Global Certificates

If the Final Terms state that the Notes are to be represented by a permanent Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made in part:

- (i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) if principal in respect of any Notes is not paid when due; or
- (iii) with the consent of the Issuer,

**provided that**, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Registered Holder has given the Registrar not less than 30 days' notice at its specified office of the Registered Holder's intention to effect such transfer.

### 3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes if principal in respect of any Notes is not paid when due.

### 3.5 Delivery of Notes

On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### 3.6 **Exchange Date**

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

## 4. **Amendment to Conditions**

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions:

### 4.1 ***Payments***

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

### 4.2 ***Prescription***

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

### 4.3 ***Meetings***

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.

### 4.4 ***Cancellation***

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

#### 4.5 ***Purchase***

Notes represented by a permanent Global Note may only be purchased by the Issuer, the Guarantor or any of their respective subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

#### 4.6 ***Issuer's Option***

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

#### 4.7 ***Noteholders' Options***

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

#### 4.8 ***Events of Default***

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer and the Guarantor under the terms of a Deed of Covenant executed as a deed by the Issuer and the Guarantor on 6 February 2017 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

#### 4.9 ***Notices***

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice (which notice shall be deemed to have been given to the holders of the Global Note on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or such other clearing system) to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate. The Issuer shall also ensure that notices are duly published in a manner that complies with any relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being, or by which they have for the time being been, admitted to trading.

5. **Electronic Consent and Written Resolution**

While any Global Note is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Guarantor, as the case may be, given by way of electronic consents communicated through the electronic communications systems, as provided in sub-paragraphs (i) and/or (ii) below, of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in nominal amount of the Notes outstanding (an Electronic Consent shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the Special Quorum was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders and holders of Coupons and Talons whether or not they participated in such Electronic Consent); and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Agency Agreement has been validly passed, the Issuer and the Guarantor shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Guarantor, as the case may be, by (a) accountholders in the clearing system with entitlements to such Global Note or Global Certificate and/or, where (b) the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg or any other relevant alternative clearing system (the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purposes of (b) above. Any resolution passed in such manner shall be binding on all Noteholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. the audited consolidated financial statements of ABQ as at and for the financial year ended 31 December 2015 (including the auditor's audit report in respect thereof):

<http://www.ahlibank.com.qa/Library/Assets/AhliBank-Q-S-C-Annual-Report-2015-020343.pdf>;  
and

2. the Terms and Conditions of the Notes contained on pages 28-53 (inclusive) in the Base Prospectus dated 24 March 2016 prepared by ABQ in connection with the Programme:

<http://www.ahlibank.com.qa/en/about-us/investor-relations/emtn>.

Copies of the documents incorporated by reference in this Base Prospectus can be obtained from the office of the Issuer and at the specified office of the Fiscal Agent.

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is included elsewhere in this Base Prospectus.

## FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

**Final Terms dated [•]**

**ABQ Finance Limited**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the U.S.\$1,500,000,000  
Euro Medium Term Note Programme  
Guaranteed by Ahli Bank Q.S.C.**

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the "**Conditions**") set forth in the Base Prospectus dated 6 February 2017 [and the supplement(s) to it dated [•] and [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended from time to time (including by Directive 2010/73/EU) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 5.4 of the Prospectus Directive]<sup>1</sup> and must be read in conjunction with the Base Prospectus [as so supplemented].

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated [24 March 2016] [and the supplement(s) to it dated [•]] which are incorporated by reference in the base prospectus dated [6 February 2017]. This document constitutes the Final Terms of the Notes described herein [for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**")]<sup>2</sup> and must be read in conjunction with the base prospectus dated [6 February 2017] [and the supplement(s) to it dated [•]], which [together] constitute[s] a base prospectus for the purposes of [the Prospectus Directive]<sup>3</sup> [Directive 2003/71/EC, as amended]<sup>4</sup> (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Prospectus dated [24 March 2016] [and the supplement(s) to it dated [•]]].

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplement[s] to the Base Prospectus dated [•] and [•]] and these Final Terms have been published on the Central Bank of Ireland's website ([www.centralbank.ie](http://www.centralbank.ie)) and are available for viewing at the registered office of the Fiscal Agent.

- |    |                        |                     |
|----|------------------------|---------------------|
| 1. | Issuer:                | ABQ Finance Limited |
|    | Guarantor              | Ahli Bank Q.S.C.    |
| 2. | [(i)] Series Number:   | [•]                 |
|    | [(ii)] Tranche Number: | [•]                 |

<sup>1</sup> To be included only if the Notes are to be admitted to trading on the regulated market, and listing on the official list, of the Irish Stock Exchange.

<sup>2</sup> To be included only if the Notes are admitted to trading on the regulated market, and listing on the official list, of the Irish Stock Exchange.

<sup>3</sup> To be included only if the Notes are admitted to trading on the regulated market, and listing on the official list, of the Irish Stock Exchange.

<sup>4</sup> To be included only where the Notes are not admitted to trading on the regulated market, and listing on the official list, of the Irish Stock Exchange.

[(iii)]	Date on which the Notes become fungible:	[Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the <i>[insert description of the Series]</i> on <i>[[•]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about [•]]].</i> ]
3.	Specified Currency or Currencies:	[•]
4.	Aggregate Nominal Amount:	[•]
	[(i)] Series:	[•]
	[(ii)] Tranche:	[•]
5.	Issue Price:	[•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [•] <i>(if applicable)</i> ]
6.	(i) Specified Denominations:	[•]
	(ii) Calculation Amount:	[•]
7.	(i) Issue Date:	[•]
	(ii) Interest Commencement Date	<i>[Specify/Issue Date/Not Applicable]</i>
8.	Maturity Date:	<i>[Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to [specify month and year]]</i>
9.	Interest Basis:	[[•] per cent. Fixed Rate] [[•] month [EURIBOR/LIBOR/LIBID/LIMEAN /HIBOR/SIBOR/KIBOR/KLIBOR/EIBOR/SAIBOR /BBSW/ TRLIBOR or TRYLIBOR/TIBOR]+/- [•] per cent. Floating Rate] [Zero Coupon] (See paragraph [14/15/16] below)
10.	Redemption/Payment Basis:	Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount.
11.	Change of Interest Basis:	<i>[Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below and identify there/Not Applicable]</i>
12.	Put/Call Options:	[Put Option] [Call Option] See paragraph [17/18] below)
13.	[(i)] Status of the Notes:	Senior
	[(ii)] Status of the Guarantee:	Senior
	[(ii)] [Date [Board] approval for issuance of Notes obtained:	[[•] and [•], respectively]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum payable in arrear on each Interest Payment Date
  - (ii) Interest Payment Date(s): [•] in each year up to and including the Maturity Date
  - (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
  - (iv) Broken Amount(s): [[•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]] / [Not Applicable]
  - (v) Day Count Fraction: [Actual/Actual /  
Actual/Actual – ISDA /  
Actual/365 (Fixed) /  
Actual/360 (Sterling) /  
Actual/360 /  
30/360 /  
360/360 /  
Bond Basis /  
30E/360 /  
Eurobond Basis /  
30E/360 (ISDA) /  
Actual/Actual – ICMA]
  - (vi) [Determination Dates: [•] in each year]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [[•] [, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]]
  - (ii) Specified Interest Payment Dates: [[•] in each year[, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
  - (iii) Interest Period Date: [Not Applicable]/ [[•] in each year [, subject to adjustment in accordance with the Business Day Convention set out in (v) below/, not subject to any adjustment[, as the Business Day Convention in (v) below is specified to be Not Applicable]]
  - (iv) First Interest Payment Date: [•]

- (v) Business Day Convention: [Floating Rate Business Day Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (vi) Business Centre(s): [.]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination /ISDA Determination]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Fiscal Agent): [.]
- (ix) Screen Rate Determination:
- Reference Rate: [[.]month  
[EURIBOR/LIBOR/LIBID/LIMEAN/HIBOR/SIBOR/KIBOR/KLIBOR/EIBOR/SAIBOR/BBSW/TRLI  
BOR or TRYLIBOR/TIBOR]]
  - Interest Determination Date(s): [.]
  - Relevant Screen Page: [.]
  - Relevant Financial Centre: [Brussels/London/Beijing/Singapore/Qatar City/  
Kuala Lumpur/ Dubai/Riyadh/Sydney/Istanbul/  
Tokyo/Hong Kong]
- (x) ISDA Determination:
- Floating Rate Option: [.]
  - Designated Maturity: [.]
  - Reset Date: [.]
- (xi) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (xii) Margin(s): [+/-][.]per cent. per annum
- (xiii) Minimum Rate of Interest: [.] per cent. per annum
- (xiv) Maximum Rate of Interest: [.] per cent. per annum
- (xv) Day Count Fraction: [Actual/Actual /  
Actual/Actual – ISDA /  
Actual/365 (Fixed) /  
Actual/360 (Sterling) /  
Actual/360 /  
30/360 /  
360/260 /  
Bond Basis /  
30E/360 /  
Eurobond Basis /  
30E/360 (ISDA) /  
Actual/Actual – ICMA]

16. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Amortisation Yield: [•] per cent. per annum
- (ii) [Day Count Fraction in relation to Early Redemption Amounts: [Actual/Actual / Actual/Actual – ISDA / Actual/365 (Fixed) / Actual/360 (Sterling) / Actual/360 / 30/360 / 360/260 / Bond Basis / 30E/360 / Eurobond Basis / 30E/360 (ISDA) / Actual/Actual – ICMA]

#### PROVISIONS RELATING TO REDEMPTION

17. Call Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [•] per Calculation Amount
- (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•] days
18. Put Option [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note: [•] per Calculation Amount
- (iii) Notice period: [•] days
19. Final Redemption Amount of each Note [not applicable/[•] per Calculation Amount]
20. Early Redemption Amount

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption: [•] per Calculation Amount

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes:

### Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

### Registered Notes:

[Global Certificate registered in the name of a nominee for [a common depositary for Euroclear and Clearstream, Luxembourg]]

22. Financial Centre(s):

[Not Applicable/[•]]

23. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes [•]] / [No].

**SIGNED** on behalf of **ABQ Finance Limited**:

By: .....  
Duly authorised

**SIGNED** on behalf of **Ahli Bank Q.S.C.**:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to listing on the Irish Stock Exchange and trading on its regulated market with effect from [•].] [Not Applicable]
- (Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)
- (ii) Estimate of total expenses related to admission to trading: [•] [Not Applicable]

### 2. RATINGS

- Ratings: [[The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]]:
- [Moody's: [•]]
- [Fitch: [•]]
- [[Other]: [•]]
- [[•] is established in the EU and registered under Regulation (EC) No 1060/2009, as amended (the "CRA Regulation").]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER

["Save as discussed in ["*Subscription and Sale/General Information*"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business."]

### 4. [FIXED RATES NOTES ONLY – YIELD

- Indication of yield: [•]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 5. OPERATIONAL INFORMATION

- ISIN: [•]
- Common Code: [•]
- Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- Delivery: Delivery [against/free of] payment

Names and addresses of additional [•]  
Paying Agent(s) (if any):

6. **DISTRIBUTION**

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
  - (A) Names of Managers: [Not Applicable/*give names*]
  - (B) Stabilisation Manager(s) (if any): [Not Applicable/*give names*]
- (iii) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (iv) Date of [Subscription] Agreement [•]
- (v) US Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]

7. **THIRD PARTY INFORMATION**

[[*relevant third party information*] has been extracted from [*specify source*]. The Issuer and the Guarantor each confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]/[Not Applicable]

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be lent by the Issuer to the Guarantor and will be used by the Guarantor for its general corporate purposes, which include making a profit.

## DESCRIPTION OF THE ISSUER

### General

The Issuer was incorporated in the Cayman Islands on 3 March 2016 as an exempted limited liability company under the Companies Law (2013 Revision) under the name ABQ Finance Limited and with registered number 309204. The Issuer's registered office address is ABQ Finance Limited, c/o Maples Corporate Services Limited, P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands, its telephone number is +1 345 949 8066 and its fax number is +1 345 949 8080.

### Business of the Issuer

The primary purpose of the Issuer is to issue the Notes from time to time under the Programme and enter into the transactions contemplated by the documents listed in "General Information" paragraphs 11(i), 11(ii) and 11(iii).

### Share Capital of the Issuer

The Issuer has no subsidiaries. The Issuer has an authorised share capital of U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1 par value each, of which one share has been issued and fully paid up as at the date of this Base Prospectus.

### The Issuer's entire share capital is held by ABQ

The rights of ABQ as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles and with the provisions of Cayman Islands law.

### Directors of the Issuer

The directors of the Issuer and their other principal activities as at the date hereof are as follows:

Name	Other principal activities
Mohamed Aof.....	Executive Manager of Legal Affairs
Trevor Bailey.....	Head of International Banking of ABQ
Salah Murad .....	Chief Executive Officer of ABQ

The business address of the directors is Al Sadd, Ahli Bank Building, PO Box 2309, Doha, Qatar.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Issuer.

### Directors' Interests

No director listed above has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Issuer and no director has any conflict of interest and/or any potential conflict of interest between any of its duties to the Issuer and its private interests and/or other duties, save for the fact that each director is an officer of Ahli Bank Q.S.C.

As a matter of Cayman Islands law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships or offices he may hold.

### Financial Statements

Since the date of its incorporation, no financial statements of the Issuer have been prepared. The Issuer is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

The Issuer's financial year ends on 31 December.

## SELECTED FINANCIAL INFORMATION

The following information has been extracted from, and should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements, which are included in this Base Prospectus.

### Consolidated Statement of Financial Position

The table below shows consolidated statement of financial position information of the Group as at 31 December 2014, 2015 and 2016.

	As at 31 December		
	2014	2015	2016
	(QAR thousands)		
<b>Assets</b>			
Cash and balances with central banks .....	2,035,768	1,132,606	1,789,297
Due from banks .....	2,558,091	1,661,793	3,261,913
Loans and advances to customers .....	21,307,947	24,044,609	26,861,405
Investment securities .....	4,933,730	4,851,231	5,570,902
Property and equipment .....	252,054	262,758	275,186
Other assets .....	292,810	345,958	406,507
<b>Total assets .....</b>	<b>31,380,400</b>	<b>32,298,955</b>	<b>38,165,210</b>
<b>Liabilities</b>			
Due to banks .....	2,527,626	2,638,289	1,276,265
Certificate of Deposits .....	2,392,800	1,549,900	2,237,629
Customer deposits .....	19,893,077	20,384,090	25,010,862
Debt securities .....	-	-	1,810,625
Subordinated debt .....	182,000	182,000	182,000
Other borrowings .....	1,476,582	2,054,866	1,886,949
Other liabilities .....	737,219	949,455	900,681
<b>Total liabilities .....</b>	<b>27,209,304</b>	<b>27,758,600</b>	<b>33,305,011</b>
<b>Equity</b>			
Share capital .....	1,651,975	1,817,173	1,908,031
Legal reserve .....	1,397,849	1,462,621	1,525,796
Risk reserve .....	491,498	536,353	609,505
Fair value reserves .....	49,807	35,335	11,801
Retained earnings .....	579,967	688,873	805,066
<b>Total equity .....</b>	<b>4,171,096</b>	<b>4,540,355</b>	<b>4,860,199</b>
<b>Total liabilities and equity .....</b>	<b>31,380,400</b>	<b>32,298,955</b>	<b>38,165,210</b>

### Consolidated Statement of Income

The table below shows consolidated statement of income information of the Group for the years ended 31 December 2014, 2015 and 2016.

	Year ended 31 December		
	2014	2015	2016
	(QAR thousands)		
Interest income .....	1,020,759	1,119,556	1,282,427
Interest expense .....	(269,286)	(357,723)	(547,359)
<b>Net interest income .....</b>	<b>751,473</b>	<b>761,833</b>	<b>735,068</b>
<b>Net fee and commission income .....</b>	<b>139,375</b>	<b>156,518</b>	<b>168,789</b>
Foreign exchange gain .....	19,622	25,103	17,070
Income from investment securities .....	19,008	45,611	31,173
Other operating income .....	4,434	6,795	6,560
<b>Net operating income .....</b>	<b>933,912</b>	<b>995,860</b>	<b>958,660</b>
Staff costs .....	(157,932)	(173,823)	(172,658)
Depreciation .....	(18,580)	(22,602)	(27,858)
Net recoveries/(impairment loss) on loans and advances to customers .....	(40,038)	(15,428)	10,819
Net recoveries/(provision) for legal cases .....	(2,900)	1,553	—

	Year ended 31 December		
	2014	2015	2016
	<i>(QAR thousands)</i>		
Impairment loss on investment securities.....	(9,564)	(45,297)	(43,531)
Other expenses.....	(103,625)	(92,543)	(93,684)
	(332,639)	(348,140)	(326,912)
<b>Profit for the year.....</b>	<b>601,273</b>	<b>647,720</b>	<b>631,748</b>

## Consolidated Statement of Comprehensive Income

The table below shows consolidated statement of comprehensive income information of the Group for the years ended 31 December 2014, 2015 and 2016.

	Year ended 31 December		
	2014	2015	2016
	<i>(QAR thousands)</i>		
<b>Profit for the year.....</b>	<b>601,273</b>	<b>647,720</b>	<b>631,748</b>
<b>Other Comprehensive Income for the year</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Available-for-sale financial assets:			
Fair value gains/(losses) during the year.....	18,744	(34,507)	(58,055)
Net amount of impairment transferred to profit or loss.....	6,360	34,077	43,531
Realised during the period.....	(3,790)	(14,072)	(9,065)
Amortised during the year on reclassification to loans and receivables.....	220	30	55
<b>Other comprehensive (loss)/income for the year .....</b>	<b>21,534</b>	<b>(14,472)</b>	<b>(23,534)</b>
<b>Total comprehensive income for the year.....</b>	<b>622,807</b>	<b>633,248</b>	<b>608,214</b>

## Consolidated Statement of Cash Flow

The table below shows selected consolidated statement of cash flow information of the Group for the years ended 31 December 2014, 2015 and 2016.

	Year ended 31 December		
	2014	2015	2016
	<i>(QAR thousands)</i>		
Net cash (used in)/from operating activities .....	(371,382)	(2,216,341)	1,607,168
Net cash (used in)/from investing activities .....	7,098	33,198	(804,323)
Net cash (used in)/from financing activities .....	1,476,582	330,488	1,370,132
Cash and cash equivalents as at 1 January .....	2,544,855	3,657,153	1,804,498
Cash and cash equivalents as at 31 December .....	3,657,153	1,804,498	3,977,475

## Selected Ratios

The table below shows selected consolidated ratios of the Group as at and for the years ended 31 December 2014, 2015 and 2016. The ratios are unaudited and have been prepared based on management information and information in the Financial Statements.

	Year ended 31 December		
	2014	2015	2016
	<i>(%)</i>		
<b>Selected ratios:</b>			
Return on average assets <sup>(1)</sup> .....	2.2	2.1	1.8
Return on average equity <sup>(2)</sup> .....	15.5	15.1	13.6
Cost income ratio <sup>(3)</sup> .....	30.0	29.0	30.7
Net interest margin <sup>(4)</sup> .....	2.71	2.42	2.07

	Year ended 31 December		
	2014	2015	2016
		(%)	
Non-performing loans ratio <sup>(5)</sup> .....	1.20	1.24	0.82
Provisioning charge/ non-performing loans ratio <sup>(6)</sup> .....	137	126	151
Total capital adequacy ratio <sup>(7)</sup> .....	18.1	16.3	15.6

<sup>(1)</sup> Calculated as profit for the year divided by average assets for the period. Average assets are calculated on a daily basis.

<sup>(2)</sup> Calculated as profit for the year divided by average shareholders' equity for the period. Average shareholders' equity is calculated on a daily basis.

<sup>(3)</sup> Calculated as the sum of staff costs, general and administrative expenses, depreciation of property and equipment and other expenses, divided by operating income. Operating income is calculated as the sum of net interest income, fee income and other income.

<sup>(4)</sup> Calculated as yield minus cost of funds. Yield is calculated as interest income divided by daily average interest bearing assets. Cost of funds is calculated as interest expense divided by daily average of interest bearing liabilities.

<sup>(5)</sup> Calculated as non-performing loans divided by gross loans.

<sup>(6)</sup> Calculated as loan loss impairment provision divided by gross non-performing loans.

<sup>(7)</sup> The 2015 and 2016 total capital adequacy ratios are calculated according to Basel III methodology.

## BUSINESS DESCRIPTION OF ABQ

### Overview

ABQ was incorporated in 1983 as a Qatar public shareholding company under Decree No. 40 dated 16 June 1983. ABQ's commercial registration number is 8989 and its place of registration is Doha. ABQ is licensed to practise banking activities by the QCB under license no. SL/13/1984. The registered office of ABQ is at Suhaim Bin Hamad Street, Al Sadd, P.O. Box 2309, Doha, State of Qatar and its telephone number is +974 4423 2222.

At 31 December 2016, the issued share capital of ABQ was QAR 1,908,031,150 divided into 190,803,115 ordinary shares with a nominal value of QAR 10 each. ABQ is listed on the QSE and had a market capitalisation of approximately QAR 7.4 billion at 31 December 2016. Approximately 47 per cent. of the share capital of ABQ is held by Qatar Holding LLC (which is a wholly-owned Government institution) and Qatar Foundation for Education, Science and Community Development ("**Qatar Foundation**"), and the remaining 53 per cent. of ABQ's shares are held by Qatari firms and individuals (see further "*Shares and shareholders*").

As at 31 December 2016, ABQ was the fifth largest conventional bank in Qatar in terms of assets, accounting for approximately 4.2 per cent. of the total assets of the Qatari conventional banking sector (source: *QCB September 2016 Quarterly Statistical Bulletin*). ABQ has a network of 15 branches and 61 ATMs throughout Qatar and offers a wide range of wholesale and retail banking products and services including loans, deposits, investment solutions and other typical banking products and services to its corporate, retail and private customers. The five principal areas of business of ABQ are corporate banking, international banking, treasury and investment (including brokerage services), retail banking and private banking.

ABQ was formerly known as Al-Ahli Bank of Qatar until 2004 when its name was changed to Ahli Bank Q.S.C. (see further "*History*"). ABQ was established with a focus on corporate, retail and private banking and with a view to expanding its customer base primarily in Qatar. Qatar Foundation became a strategic partner of ABQ in 2013 when it acquired 29.41 per cent. of Ahli United Bank's shareholding in ABQ. In 2013, the ABQ approved a new strategic plan, including a new organisation structure to focus on business banking and to strengthen corporate governance.

In 2014, following the changes in ownership and organisational structure, ABQ initiated a rebranding project aimed at meeting the changing needs of its customers and reflecting the transformation of Qatar's economy. The new identity of ABQ involved a comprehensive refurbishment of ABQ's branches and the use of modern technology to transform customer's banking experience across the distribution channels, including in its branches, its online banking website and through its new mobile banking application. The aim of the new identity is to be at the forefront of the Qatari community by delivering the right products to its customers and by offering an approachable, responsive and personalised banking experience.

ABQ has two wholly-owned subsidiaries: (i) Ahli Brokerage Company LLC ("**ABC**"), which was established as a single person company in 2010 to offer ABQ's brokerage services; and (ii) the Issuer. ABC is licensed by the QFMA and is a member of the QSE. ABC began operations on 24 July 2011 and, as at 31 December 2016, ABC has issued share capital of QAR 50,000,000. ABQ Finance Limited, the Issuer, which was established in the Cayman Islands on 3 March 2016 is also wholly owned by ABQ and it was established for the purposes of the issuance of notes under this Programme (see further "*Description of the Issuer*").

The Group had a low non-performing loan ("**NPL**") ratio for 2016 of 0.82 per cent, which it believes is reflective of its strong risk culture. ABQ's conservative credit and provisioning policy, together with its focus on corporate governance and effective risk management has enabled ABQ to establish and maintain a high quality portfolio of assets. ABQ currently has long-term foreign currency issuer default ratings of A+ from Fitch and A2 from Moody's, each with a stable outlook.

As at 31 December 2016, the Group had total assets of QAR 38,165 million and the Group's profit for 2016 was QAR 632 million compared to QAR 648 million for 2015. The Group had a tier 1 capital adequacy ratio of 15.46 per cent. and a total capital adequacy ratio of 15.62 per cent. as at 31 December 2016, well above the minimum requirements of the QCB and the new capital adequacy and liquidity requirements of the Basel Committee on Banking Supervision ("**Basel III**").

## History

Year	Milestone
1983.....	ABQ was incorporated as Al-Ahli Bank of Qatar as part of CitiBank operations.
August 1984 .....	ABQ commenced operations.
1985.....	ABQ recorded a profit for the initial period of its operations from August 1984 to 31 December 1985.  The initial public offering of ABQ's shares resulted in an oversubscription of eight times the original offering size, which was the largest oversubscription for an initial public offering in Qatar at the time.
September 1987 .....	ABQ began to operate as a standalone entity as CitiBank exited its investments.  ABQ made a strategic investment in United Turkish Gulf Bank (together with other Qatari investors, the Turkish Guarantee Bank and Dofos Construction & Trading Group).
1990s .....	ABQ experienced strong growth in terms of its branch network, products and services offering, balance sheet size and profitability. ABQ had two branches in 1990, eight branches in 1999 and, as at the date of this Base Prospectus, ABQ has 16 branches.  ABQ installed its first ATMs during the early 1990s (2 machines) and by 1999, ABQ had 10 ATMs. As at the date of this Base Prospectus, ABQ has a total of 61 ATMs in various locations throughout Qatar.  In 1991, ABQ launched its international master card and in 1992, ABQ was the first domestic bank to introduce its own Qatari riyal credit card. In 1993, ABQ launched the Al-Ahli Express Card for use in ATMs and in 1995 this express card facility was modified as a point of sale debit card. In addition, in 1997 ABQ began offering Visa credit card services to its customers.  ABQ acquired its first computers in 1991 (IBM AS 400).  ABQ commenced its auto financing business in 1993.  ABQ became SWIFT compliant in 1994.  The corporate and retail customer base of ABQ grew during this period largely as a result of the increased products and services offering including, project financing, trade finance, consumer loans and enhanced credit card offerings.
2000.....	ABQ introduced its brokerage office to provide equity brokerage services for the Doha Stock Market to ABQ's customers.

Year	Milestone
August 2004 .....	Ahli United Bank (" <b>AUB</b> "), Bahrain's largest commercial bank, acquired a 40 per cent. stake in ABQ through the issue of new share capital. Simultaneously, AUB and ABQ entered into a 10 year, renewable management and technical agreement for provision of certain management and technical services by AUB to ABQ (including assisting ABQ in expanding its product lines and upgrading its technology as well as sharing the brand name, banking and human resources expertise and capital infusion) in return for the payment of a management fee to AUB. As a result, ABQ underwent a corporate identity change and it was renamed from Al-Ahli Bank of Qatar to its current name, Ahli Bank Q.S.C.
2008.....	In light of the 2008 global financial credit crisis, Qatar Investment Authority (" <b>QIA</b> ") announced that it would be providing financial support to Qatar's listed banks by way of a 20 per cent. equity infusion calculated according to the share capital of each such bank as at December 2008. As a result, ABQ received support in an amount of QAR 642.4 million during 2010 and 2011 (this was provided by way of three separate tranches). In addition, and as part of this overall support mechanism, the Government purchased a real estate portfolio from ABQ in 2009 amounting to QAR 283 million.
July 2011 .....	Ahli Brokerage Company LLC, ABQ's wholly-owned brokerage subsidiary, began operating as a licensed brokerage house and a member of the QSE.
September 2012 .....	ABQ approved a rights issue of 20 per cent. to its Qatari shareholders, thereby raising additional share capital of QAR 448.0 million.
January 2013.....	Qatar Foundation acquired 29.4 per cent of AUB's stake in ABQ, thereby becoming ABQ's strategic partner (simultaneously, AUB withdrew its management involvement in ABQ completely).
2013.....	<p>ABQ implemented a new organisation structure to focus on business banking and to strengthen its corporate governance framework in line with the instructions and guidelines on corporate governance promulgated by the QCB and the QFMA (in July 2015 the QCB issued the new "Corporate Governance Guidelines for Banks and Financial Institutions". In March 2014, the QFMA issued the "Corporate Governance Code for Shareholding Companies Listed in the Main Market"). ABQ's new organisation structure enhanced corporate governance by designating risk management as a control function rather than a support function.</p> <p>A new IT strategy was rolled out in 2013 with a focus on the migration of AUB-integrated IT systems in order for ABQ to operate as an independent, standalone entity. This IT strategy also focused on leveraging technology for increased automation in ABQ's operations and enhancing customer satisfaction.</p>

Year	Milestone
2014.....	ABQ underwent a rebranding exercise in order to promote the new identity of ABQ and to keep up with modernity in banking services and systems, thereby supporting ABQ's mission, vision and values into the future. The new identity has been incorporated into each element of ABQ's business and distribution network with a particular focus on technological enhancements in ABQ's branches and its online and mobile banking applications and the fostering of a strong corporate governance environment with the aim of becoming a local, modern and secure bank of choice at the heart of the Qatari community.
September 2014.....	ABQ successfully raised its debut three-year syndicated loan facility valued at U.S.\$200 million and further increased its medium term funding by securing a QAR 750 million five-year loan.
2015.....	<p>ABQ raised additional funds through medium term loans in an amount of U.S.\$200 million. These loans significantly increased ABQ's medium-term funding to meet QCB and Basel III liquidity coverage ratio ("<b>LCR</b>") and net stable funding ratio ("<b>NSFR</b>") requirements, thereby strengthening ABQ's liquidity and balance sheet position.</p> <p>The refurbishment of six of ABQ's branches was completed thereby greatly enhancing customer experience throughout ABQ's branch network. ABQ's two new branches at Umm Lekhba and City Centre combine the traditional physical requirements of a bank branch enhanced with state of the art technology. An advanced queuing system, wall mounted interactive touch screens and technology hubs greet customers at the entrance of the branch and inform customers about ABQ's range of products and services. For premium banking customers of ABQ, premium lounges have been opened which provide free WiFi and coffee facilities. The remaining branches will be refurbished in due course.</p> <p>ABQ's corporate governance was further enhanced by segregating the risk and audit functions into two committees (the Risk and Compliance Committee and the Audit Committee). In addition, the ambit of the Governance, Nomination and Remuneration Committee was increased to add corporate governance matters to its remit (see further "<i>Risk Management– Committees–Board Committees</i>").</p>
2016.....	<p>In February 2016, ABQ was awarded a debut Moody's rating of A2/Prime-1, in relation to its deposits.</p> <p>In April 2016, ABQ raised additional funds through the issuance of U.S.\$500 million 3.625% notes due 2021 by ABQ Finance Limited and guaranteed by Ahli Bank Q.S.C., under its euro medium term note programme.</p> <p>In September 2016, ABQ successfully closed a 3 year U.S.\$ 195 million Club Term Loan Facility. The facility will be used for general corporate funding purposes.</p>

## Shares and shareholders

At 31 December 2016, the issued share capital of ABQ was QAR 1,908,031,150 divided into 190,803,115 ordinary shares with a nominal value of QAR 10 each.

ABQ has over 900 shareholders. Approximately 47 per cent. of the share capital of ABQ is held by Qatar Holding LLC (which is a wholly-owned Government institution) and Qatar Foundation. In addition to this approximately 16 per cent. of ABQ's shares are held by Qatari corporations and approximately 37 per cent. are held by retail investors.

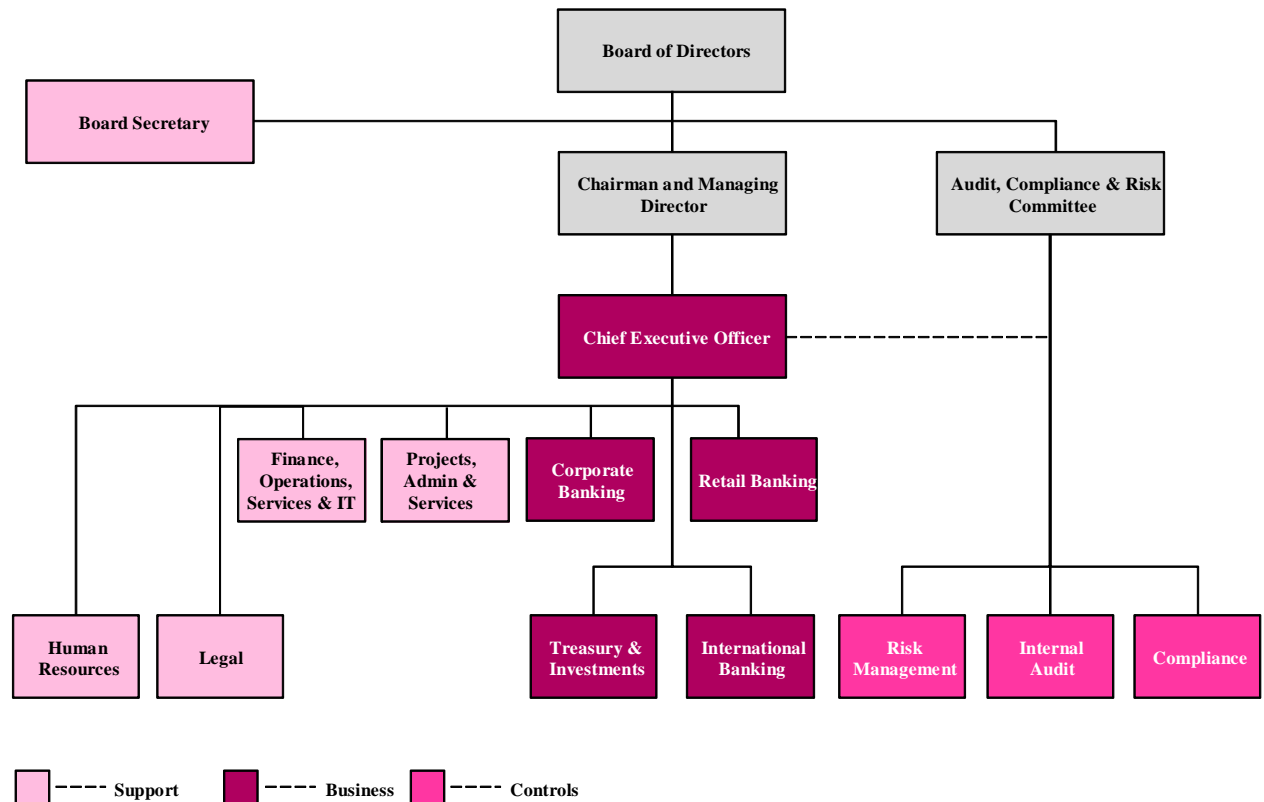
The table below shows ABQ's shareholding structure as at 31 December 2016:

Shareholder	Category	Domicile	Shareholding (%)
Qatar Foundation .....	Government-related	Qatar	29.41
Qatar Holding LLC .....	Government-related	Qatar	17.65
Qatari corporations, individuals and others <sup>(1)</sup> .....	Other	Qatar	52.94
<b>Total</b> .....			<b>100.00</b>

<sup>(1)</sup> No shareholder other than Qatar Foundation and Qatar Holding LLC owns more than 2 per cent. of ABQ's share capital.

## Organisation Chart

The following chart sets out the organisation structure of ABQ as at the date of this Base Prospectus.



## Awards and Accolades

From 2013 to 2016, ABQ received the following awards and accolades:

- ISO/IEC 27001:2005 ISMS certification award received in 2013 from TUV SUD Management Service GmbH, Germany;
- Straight through processing (STP) award received for the year 2013 from Commerzbank;
- Basel III implementation award received from Sunguard;
- Best "Compliance Risk Technology Implementation" for the year 2015 received from The Asian Banker;
- Best "Multi Channel Implementation in the Middle East" for the year 2015 received from The Asian Banker; and
- Certification from SISA (approved PCI council Assessor) for compliance with the Payment Card Industry – Data Security Standard (PCI – DSS).
- In 2016, ABQ received two prestigious awards from the Asian Banker: "The Leadership Achievement Award" for "Best Managed Bank in Qatar in 2016" and "Best CEO of the year 2016".

## Strategy

ABQ employs a measured approach to its growth strategy and its main goal is to achieve growth while maintaining sound asset quality and strong capitalisation and liquidity. The main theme of ABQ's strategic goal is to focus on sustainability of returns instead of on their size. In addition, ABQ has a long-term goal of increasing the non-interest income contribution to account for around 25 to 30 per cent. of ABQ's total income.

ABQ currently has a five-year strategic plan in respect of each of its retail and corporate banking divisions, in each case focusing on the main strategic initiatives discussed below.

### Retail Banking – five year strategic plan (2017-2021)

The Retail Banking division's strategic vision is to become one of the best retail financial service providers in Qatar offering the most personalised banking experience. Growth in the Retail Banking division is focused on:

- **Product innovation:** to meet the changing needs of ABQ's targeted customer demographic and for future proofing, ABQ has developed and launched a number of innovative products catering to ABQ's target customer segment including, for example, ABQ's Al-Rabeh prize draw account, the Pearl Rewards Programme, the Junior Savings Account for the Children, Qatar's first contactless titanium credit card, the Payroll Card to support the Wages Protection System programme, the Visa Signature, Mastercard Titanium and Mastercard CashBack credit cards which have all been well-received by ABQ's retail customers. ABQ continues to build on the momentum with regard to the new "fast loans" lending system which reduced loan approval turnaround times from an average of four days to just 30 minutes. ABQ intends to develop the concept of 'paperless' banking in the future. Planned future products and initiatives include in-house (on the spot) card personalisation, bancassurance products, ladies banking and a pre-paid and virtual card programme.
- **Increase overall profitability:** ABQ intends to generate higher revenue from the Retail Banking segment. It aims to achieve this by ensuring the stability of current customer relationships, particularly its relationships with families in Qatar, as well as expanding its customer base with a particular focus on anticipated growth areas such as youths. ABQ believes that the youth customer segment will respond positively to the new modern image and automated capabilities of ABQ (including, in particular ABQ's new mobile banking applications for smart phone operating systems and its social media advancements including its LinkedIn page and YouTube channel.

- ***Distribution network and digitalisation:*** ABQ will continue to revamp and enhance its distribution channels and has plans in place to open new modern branches in certain strategic locations in Qatar. The overall strategy regarding the distribution network is to focus on the integration of modern technologies to enhance customer experience while at the same time maximising efficiency and revenue and reducing ABQ's cost base. This will also involve a complete overhaul of ABQ's ATM network to provide the latest services to its customers and migrate routine tasks from the branches to the remote channels i.e. ATMs/cash and cheque deposit machines and online banking.

#### **Corporate Banking – five year strategic plan (2017-2021)**

The Corporate Banking division's strategic vision is to position itself as the first choice for corporate banking clients and to be among the top three Qatari banks in terms of portfolio quality, client service and brand image. Key strategic priorities of the Corporate Banking division are:

- ***Strong franchise:*** expanding its strong corporate banking franchise and, in particular, capitalising on its deep knowledge of Qatar and the Qatari banking market where it conducts most of its business with corporate, institutional and government and government related banking customers. In this way, Corporate Banking seeks to enhance growth in a sustainable manner and in line with ABQ's overall strategic goals. The Corporate Banking division will use its strong market knowledge and existing relationships to continue to target Qatari-government sponsored infrastructure projects and the companies and contractors involved in those projects.
- ***Relationship-oriented business model:*** a relationship driven banking approach with the aim of maximising the cross-sell of its product and service offerings and leveraging its corporate relationships to diversify income streams.
- ***Growth with high quality assets:*** as a first line of defence, manage growth with a disciplined approach to risk, underpinned by well-defined know-your-customer ("KYC") procedures. ABQ seeks to grow its corporate banking business while at the same time maintaining prudence in lending activities along with better-than-industry-average levels of NPL.
- ***Risk diversification:*** expanding the client base across industries and sectors in order to reduce concentration risk, manage liquidity and provide more stable funding.
- ***Digitisation:*** Corporate Banking is actively pursuing a digitisation strategy by investing in automation tools and adopting the latest technologies.

In addition to the above, ABQ's general strategic goals are:

- reducing concentration risk on its balance sheet (on the asset side as well as on the liabilities side);
- improving the maturity profile of its balance sheet by focusing on medium/long-term funding;
- improving its funding profile by diversification of its sources of funding; and
- periodic re-pricing of its loans and deposits in order to maintain its net interest margin at healthy levels.

#### **Business Strengths**

ABQ benefits from a number of business strengths. In particular:

- ***Qatari government related ownership and support:*** The Qatari government (through the shareholding of Qatar Holding LLC) indirectly owned 17.65 per cent. of ABQ's shares as at 31 December 2016. Further, and in common with other Qatari banks, ABQ benefitted from government support measures during the previous global financial crisis. The Qatari government and related agencies are also significant depositors, accounting for 21.1 per cent. of the Group's customer deposits at 31 December 2016.

- ***Strong franchise and relationship oriented business model:*** ABQ benefits from its long and deep-rooted knowledge of the Qatari market and believes that it is entrenched in the mind of the local community, with strong customer relationships across all business units. ABQ's business model emphasises relationship banking instead of transaction banking, building on both sides of the balance sheet and cross-selling across ABQ's departments.
- ***Strong capitalisation, high levels of liquidity and sound asset quality:*** ABQ has healthy capital ratios. As at 31 December 2016, the Group's tier 1 capital adequacy ratio was 15.46 per cent. and its total capital adequacy ratio was 15.62 per cent. (calculated according to Basel III methodology, as applied by the QCB). ABQ also believes that it benefits from sound asset quality with a low NPL ratio of 0.82 per cent. as at 31 December 2016 and conservative provisioning (the Group's loans loss provisions coverage ratio was 151 per cent. as at 31 December 2016). ABQ believes that its capitalisation, liquidity and asset quality afford it significant flexibility in the future development of its business.
- ***Specific geographic focus:*** ABQ benefits from its focus on Qatar. Qatar had benefitted from high oil prices in recent years, with real GDP growth rates in 2013 and 2014 of at least 4.0 per cent., making it one of the fastest growing economies in the world. Although the recent drop in oil prices and difficult macro-economic conditions, coupled with general political unrest in the region, has brought about some challenges (with many regional and international economic indicators reflecting subdued performance), Qatar has projected continued growth for 2017 and has, in recent years, been committed to diversifying its economy in an effort to reduce its historical dependence on oil and gas revenues. For instance, nominal GDP for the non-oil and gas sector grew by 3.2 per cent. in 2015 and contributed 61.4 per cent. of Qatar's total nominal GDP in 2015. In addition, Qatar has a proven track record of support for its banking sector, including equity injections and real estate loan portfolio purchases in the period following the 2008 global financial crisis. The banking sector is expected to continue to play a critical role in the Qatar National Vision 2030, particularly in terms of infrastructure development and the financing of some major projects which have gathered pace ahead of the Fédération Internationale de Football Association (FIFA) 2022 World Cup (the "**2022 World Cup**"). ABQ is currently involved in the financing of a number of strategically important projects in Qatar such as the Doha Metro, the Philippine School of Doha and a number of important road and sewage works projects. See further "*Overview of Qatar – Economic Overview*".
- ***Strong risk culture:*** ABQ's management believes that it has implemented a strong risk culture that permeates the whole bank and its employees. ABQ's risk governance framework and risk management procedures and controls are described in detail under "*Risk Management*" and management believes that its integrated risk management approach and the strength of risk management systems is illustrated in the quality of its assets.
- ***Strong management team with proven track record:*** ABQ has a strong Board and management team in place with significant banking and financial services experience. ABQ's senior management comprises 13 individuals with an average experience of more than 25 years. ABQ's senior management team has a diverse range of nationalities and qualifications reflecting ABQ's aim of increasing its intellectual capital at senior levels. In addition, in 2016, ABQ recognised 73 long-serving employees for their commitment and service to ABQ. The knowledge and experience of these employees supports ABQ in developing its strategy of meeting the changing needs of the banking community in Qatar. See further, "*Management and Employees*".

## Business Segments

### Overview

ABQ operates both a retail and wholesale banking business with wholesale banking operations generating 83.8 per cent. of the Group's profitability for the year ended 31 December 2016. For management purposes ABQ's wholesale banking business comprises the Corporate Banking, International Banking and Treasury and Investments (including brokerage services) business units and its retail banking business comprises the Retail Banking (including Premium Banking) and Private Banking business units.

For financial reporting purposes, the Group is organised into two major reporting segments:

- *Retail and private banking and wealth management (the "retail banking business")*: this segment includes individual customers' deposit and current accounts, consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. The Group's high net worth customers are serviced through the premium and private banking and wealth management businesses which offer a range of investment products, credit facilities and alternative investments.
- *Corporate banking, treasury, investments and brokerage subsidiary (the "wholesale banking business")*: this segment includes loans and other credit facilities and deposit and current accounts of the Group's corporate and institutional customers. Treasury and Investments manages the Group's balance sheet, including its funding, investment securities portfolio, borrowings and derivatives transactions undertaken for risk management purposes and undertakes sales activity of treasury products to corporate, institutional and high net worth clients. The Group's brokerage services are offered through ABC.

The tables below show certain financial information in relation to each reporting segment for each of the three years ended 31 December 2014, 2015 and 2016 (see Note 6(i) to the Financial Statements).

As at/for the year ended 31 December 2014			
	Retail and private banking and wealth management	Corporate banking, treasury, investments and brokerage	Total
Total segment revenue.....	252,295	681,617	933,912
Reportable segment profit.....	103,290	497,983	601,273
Reportable segment assets.....	5,465,405	25,914,995	31,380,400
Reportable segment liabilities.....	6,589,898	20,619,406	27,209,304

As at/for the year ended 31 December 2015			
	Retail and private banking and wealth management	Corporate banking, treasury, investments and brokerage	Total
Total segment revenue.....	267,415	728,445	995,860
Reportable segment profit.....	109,223	538,497	647,720
Reportable segment assets.....	6,315,023	25,983,932	32,298,955
Reportable segment liabilities.....	6,935,594	20,823,006	27,758,600

As at/for the year ended 31 December 2016			
	Retail and private banking and wealth management	Corporate banking, treasury, investments and brokerage	Total
Total segment revenue.....	251,252	707,408	958,660
Reportable segment profit.....	102,277	529,471	631,748
Reportable segment assets.....	6,037,648	32,127,562	38,165,210
Reportable segment liabilities.....	8,554,317	24,750,694	33,305,011

### Wholesale Banking Business

ABQ's wholesale banking business comprises Corporate Banking, International Banking and Treasury and Investments. For the year ended 31 December 2016, the wholesale banking division accounted for 84.2 per cent. of the Group's assets and 74.3 per cent. of the Group's liabilities and generated 73.8 per cent. of the Group's net operating income and 83.8 per cent. of the Group's net profit. The corresponding figures for 2015 were 80.4 per cent. of the Group's assets, 75.0 per cent. of the Group's liabilities, 73.1 per cent. of net operating income and 83.1 per cent. of net profit.

## ***Corporate Banking***

At 31 December 2016, the Corporate Banking division accounted for 57.8 per cent. of the Group's assets and 30.3 per cent. of its liabilities. In 2016, Corporate Banking generated 47.6 per cent. of the Group's net profit.

The Corporate Banking division comprises the Senior Deputy CEO of Corporate Banking supported by a team of 30 professionals. The Corporate Banking division benefits from a healthy and diversified asset portfolio and offers a range of products and services to ABQ's corporate customers, including working capital finance, overdraft facilities, project and contractor finance, medium and long-term loans (including syndicated lending), equipment and fleet finance, structured finance, collections and other payment solutions and trade finance solutions such as documentary credits or collections and guarantees.

The Corporate Banking division is focused on Qatar with its primary target customers being large corporates and quasi-government entities operating in various economic sectors including oil and gas, petrochemicals, manufacturing, trading, contracting, telecommunications, shipping and aviation. The Corporate Banking division's contract financing offering focuses on local contractors with a proven track record with a preference for government and quasi-government projects. Corporate Banking also has a strong portfolio of customers in the trading sector including operators in the food, fast moving consumer goods consumer durables, auto, watches and jewellery trade sectors. Corporate Banking also provides financing for residential, commercial and mixed-use projects with a focus on promoters with a proven track-record and projects with strong cash flows and high security coverage.

The advancement of technology-enabled banking solutions has enhanced Corporate Banking's product and services offering. Examples include the Trade Finance Portal which provides companies with the flexibility they need to manage their international financial relationships, a new online payroll services solution to help companies in complying with the new Wage Protection System which is supported by the market-leading transaction authority matrix which provides corporate customers the security assurance they require in respect of their online corporate banking transactions.

Corporate Banking has strong relationships with existing customers and is committed to maintaining these relationships as well as seeking out opportunities to develop new relationships and become a strategic partner of choice for Qatari corporations. ABQ's focus continues to be actively involved in the financing of some of the major infrastructure, transportation and hospitality projects that are currently underway or planned as part of the Qatar National Vision 2030 and in anticipation of Qatar's hosting of the 2022 FIFA World Cup.

## ***International Banking***

At 31 December 2016, the International Banking division accounted for 1.1 per cent. of the Group's assets and 2.8 per cent. of its liabilities. In 2016, International Banking generated 1.6 per cent. of the Group's net profit.

International Banking was established in 2013 as an independent banking division and the team comprises the Head of International Banking supported by a team of three professionals. The International Banking division is responsible for all cross-border activities of ABQ, including balance sheet management and funding and the development and optimisation of ABQ's relationships with key global financial institutions. In 2016, ABQ launched its e-payment channels, most notably on the Qatar-UAE Exchange, making it the first in Qatar to support online payments with debit cards through a reputable money exchange house. The International Banking division is also tasked with co-ordinating discussions with the rating agencies and is responsible for liaising with stakeholders, especially with ABQ's principal strategic stakeholder, Qatar Foundation.

The International Banking division works in close collaboration with the Treasury and Investments division in diversifying and expanding the Group's funding sources. The department actively supports various initiatives to maintain the Group's required LCR and NSFR and plays a pivotal role in raising medium to long-term funding from banks and financial institutions across the globe as well as reviewing the Group's funding options in both traditional and debt capital markets.

In 2014, ABQ successfully raised a debut three-year syndicated loan facility valued at U.S.\$200 million. During 2015, ABQ raised additional funding through bilateral credit facilities, providing two or three year

committed funding that will further support ongoing liquidity and balance sheet management. In 2016, ABQ raised additional funds through the issuance of U.S.\$500 million 3.625% bonds due 2021 by ABQ Finance Limited and guaranteed by Ahli Bank Q.S.C., under its euro medium term note programme, and ABQ successfully closed a three-year U.S.\$195 million Club Term Loan Facility with key relationship banks, thereby significantly increasing ABQ's medium-term funding to meet the QCB and Basel III liquidity coverage ratio and net stable funding ratio requirements.

The International Banking division is also engaged in strategic asset acquisition in selected markets to provide a regular income-stream. The International Banking division is committed to forging long-term partnerships with key global banks and financial institutions and stabilising funding sources, as well as taking a proactive approach to heightened regulatory requirements.

### ***Treasury and Investments***

At 31 December 2016, the Treasury and Investments division accounted for 25.3 per cent. of the Group's assets and 41.2 per cent. of its liabilities. In 2016, Treasury and Investments generated 34.6 per cent. of the Group's net profit.

The Treasury and Investments division comprises the Head of Treasury and Investments supported by a team of five professionals. Treasury and Investments is responsible for managing the Group's day-to-day funding requirements and is charged with monitoring the Group's liquidity and regulatory ratios in a controlled manner. The key ratios monitored by the division on a daily basis include the credit ratio, leverage ratio, liquid assets to total assets ratio, loan to deposit ratio, liquidity coverage ratio (Basel III) and the net stable funding ratio (Basel III).

In addition, the Treasury and Investments division seeks to increase the Group's profitability through suggesting appropriate investments to ABQ's Investment Committee. It makes its recommendations within the scope of the Board-approved Risk Appetite Statement and Framework and the investment policies of ABQ. Treasury and Investments own account activities are restricted to management of the Group's liquidity, interest rate and foreign exchange risks (see "*Risk Management—Liquidity Risk*"). As a policy and as part of the ABQ's risk management strategy, ABQ does not assume proprietary trading positions in derivatives and proprietary positions are permissible only for foreign exchange and local equities subject to appropriate limits.

Treasury and Investments also works closely with the other business units to provide treasury solutions to customers of ABQ, particularly local corporate, quasi-Government bodies and high net worth individuals. The division has a sales team which structures and sells treasury and investment instruments and offers a range of products to cater to the evolving financial needs of ABQ's customers. The product offering of the Treasury and Investments division includes foreign exchange hedging instruments including forwards, swaps and foreign exchange options, deposits, bonds, sukuk, interest rate swaps and interest rate caps, fixed-income products and structured deposits. The derivatives desk of ABQ structures and transacts interest rate, foreign exchange, commodities and credit derivatives, both for its own hedging purposes and for sale to customers.

Treasury and Investment's strategy is to focus on the diversification of the Group's funding sources, to maintain the Group's net interest margin and to successfully manage the Group's proprietary investment portfolio (which primarily consists of bonds issued by Qatar and corporate bonds). Treasury and Investment also actively seeks to reduce the Group's cost of funding and to ensure the Group's ongoing compliance with regulatory requirements. To meet its objectives, ABQ is committed to the development of strategic banking relationship, including relationships with international financial institutions. In addition, the division will continue to improve the range of treasury and investment solutions it offers to customers.

### ***Ahli Brokerage Company LLC***

ABQ's brokerage services are offered through its wholly-owned subsidiary, ABC which is a QFMA regulated and approved brokerage house at the QSE. The brokerage services which ABC is currently licensed to offer include executing orders for the buying or selling of securities for the account of others, trading securities for customer's own account, providing securities investment advice and managing customer's investment securities portfolios. To date, the brokerage business has generated marginal losses which are, in the context of the Groups' overall profitability, deemed by ABQ to be insignificant. As part

of ABQ's efforts to improve profitability from its brokerage activities, in 2016, ABC, in collaboration with Mubasher Financial services ("MFS") implemented a new global trading platform which enables ABQ's clients to access a wider range of investment products and, for the first time, to carry out trading activities in more than 35 markets in various jurisdictions around the world, including markets in the MENA region, Europe, Asia and the Americas. Through this new platform ABQ seeks to expand and diversify the range of products and services it offers to its customers as well as enhance the jurisdictional scope of its brokerage operations. As part of its future strategic initiatives, ABC is contemplating the introduction of a margin trading facility.

## **Retail Banking Business**

ABQ's retail banking business comprises the Retail Banking (including Premium Banking) and Private Banking divisions. For the year ended 31 December 2016, the Retail Banking division accounted for 15.8 per cent. of the Group's assets and 25.7 per cent. of the Group's liabilities and generated 26.2 per cent. of the Group's net operating income and 16.2 per cent. of the Group's net profit. The corresponding figures for 2015 were 19.6 per cent of the Group's assets, 25.0 per cent. of the Group's liabilities, 26.9 per cent. of net operating income and 16.9 per cent. of the net profit.

### ***Retail and Premium Banking***

At 31 December 2016, the Retail Banking division accounted for 12.8 per cent. of the Group's assets and 20.1 per cent. of its liabilities. In 2016, Retail Banking generated 10.8 per cent. of the Group's net profit.

The Retail Banking division comprises the Deputy CEO of Retail Banking supported by a team of 150 professionals. The Retail Banking division is responsible primarily for managing ABQ's individual customer's deposit and current accounts and the provision of consumer loans, residential mortgages, auto loans, overdrafts, credit/debit/payroll cards and the full range of retail banking products and services. ABQ also offers Qatari individuals vehicle insurance, credit card insurance and credit card travel insurance. The Retail Banking division focuses on Qatari nationals and affluent and premium customers.

Retail Banking's products and services are provided through a broad range of delivery channels including ABQ's network of 15 branches and its alternative distribution channels comprising a network of 61 ATMs, a telephone contact centre and ABQ's internet banking website and mobile banking application which was first launched in 2014 and can be used on Android and Apple devices. As part of ABQ's rebranding project, modern technologies have been embraced and have changed the way the Retail Banking division communicates with its customers and delivers its products and services, thus ensuring that customers have the flexibility to carry out their banking needs seamlessly, anytime and anywhere.

As at the date of this Base Prospectus, 50 per cent. of ABQ's branch network has been refurbished and rebranded. Two of ABQ's new branches, Salwa and Crowne Plaza, were refurbished during 2016 and the remaining seven are planned to be refurbished (during the course of 2017 to 2018) to include state of the art technology consisting of an advanced queuing system, in-branch WIFI for customers, wall mounted interactive screens and touch screen capabilities. Technology hubs now also greet customers at the branch entrance informing them about the products and services offered by ABQ. ABQ's website also includes a product selector and loans calculator helping customers to find the right banking products for their individual needs and ABQ's new lending management solution, which was launched in 2014, has reduced credit approval turnaround times from four days to just 30 minutes. Other products offered by the Retail Banking division include the customer-centric Al-Rabeh prize draw account, the Junior Account Programme with a dedicated debit card for children, competitively priced personal, auto and mortgage loans, a comprehensive suite of credit cards including Qatar's first contactless "tap-and-go" titanium credit card, the CashBack Card and signature and platinum credit cards for high net worth customers. In addition, ABQ also offers a "Payroll Card" which was introduced by ABQ in response to the Wage Protection System which is a government initiative to protect employees by ensuring that salaries are paid in a timely manner through a process that can be monitored by the Ministry of Labour and the QCB. The Payroll Card is the first open debit card of its kind in Qatar and allows customers access to their available funds through ATMs and POS terminals both in Qatar and internationally.

ABQ's Premium Banking customers all have a dedicated relationship manager to serve as a single point of contact for customers' account and investment management needs. The relationship managers are each trained to listen to customers' needs and to customise appropriate financial solutions. Premium customers benefit from priority access when visiting or phoning ABQ. Premium customers also benefit from

preferential pricing including competitive interest rates on loans and deposits, priority processing of all applications and requests and certain lifestyle privileges through ABQ's Signature and Platinum credit cards, as well as access to ABQ's new premium lounges. The range of products offered to ABQ's Premium Banking customers include personal loans, auto loans, mortgage loans and deposit products.

ABQ is of the view that the Retail Banking market is still underpenetrated and ABQ has identified certain key target markets for growth opportunities. These include the ladies customer segment and Qatari youths and students who ABQ believe would appreciate and benefit from the technological advancements following ABQ's rebranding, including the introduction of social media communication via ABQ's LinkedIn page and YouTube channel. The Retail Banking division's overall objective is to be one of the best retail financial services providers in Qatar offering the most personal banking experience to its customers. To achieve its objectives ABQ will continue to adopt a customer-centric approach and build on previous successes by delivering products and services that meet customer's individual needs.

### ***Private Banking***

At 31 December 2016, the Private Banking division accounted for 3.0 per cent. of the Group's assets and 5.5 per cent. of its liabilities. In 2016, Private Banking generated 5.4 per cent. of the Group's net profit.

The Private Banking division comprises the Head of Private Banking supported by a team of three dedicated relationship managers who aim to provide a professional and proactive wealth management service offering bespoke asset and liability management solutions. The relationship managers are assisted by specialist portfolio analysts and a marketing support staff.

The Private Banking division provides banking and investment solutions to ABQ's high net worth clients in Qatar, including individuals, families, trusts, and private businesses. Private Banking solutions include private current and call accounts, savings and deposit accounts and flexible mortgage (both domestic and cross-border) and lending solutions tailored to the client's specific borrowing needs. The division's investment solutions include local and international fixed-income bonds from AAA to non-investment grade and structured notes. Through ABQ's subsidiary, ABC, private banking clients can also access the QSE to invest and trade in the local equity market.

The Private Banking division also offers real estate investment solutions to high net worth individuals looking to acquire property in London, whether as a second home or as an investment. The relationship managers will oversee the entire acquisition process, from origination to funding, tax planning, trust and succession advice and the exchange of contracts and closing. ABQ offers acquisition finance to its private banking clients interested in acquiring real estate in the United Kingdom. This has been supported by the ongoing London Property Investment Event (of which the most recent event was held in March 2016).

The Private Banking division will continue to seek to increase its high net worth customer-base as well as deepen existing relationships. The division seeks to meet its objectives through the provision of professional and knowledgeable support, the introduction of new products and by improving awareness of the investment solutions available to the Qatar community. ABQ also intends to invest in accredited certifications of the divisions private banking relationship managers.

### **Lending and Funding**

#### ***Lending***

The Group's customer loan portfolio has experienced year-on-year increases between 2014 and 2016. ABQ's customer loan portfolio amounted to QAR 26,861 million, or 70.4 per cent. of its total assets at 31 December 2016 compared to QAR 24,045 million, or 74.4 per cent. of total assets at 31 December 2015 and QAR 21,308 million, or 67.9 per cent. of total assets at 31 December 2014, representing growth in the Group's customer loan portfolio of 12.8 per cent., between 2014 and 2015, and 11.7 per cent., between 2015 and 2016.

ABQ's management believes that the Group's conservative credit policy and effective utilisation of risk management tools has enabled it to maintain a high quality loan portfolio. The table below shows the Group's customer loan portfolio by type as at 31 December 2014, 2015 and 2016.

	As at 31 December					
	2014		2015		2016	
	(QAR '000)	(%)	(QAR '000)	(%)	(QAR '000)	(%)
Loans .....	19,481,909	89.9	21,367,038	87.5	23,953,143	88.1
Overdrafts .....	1,480,511	6.8	2,225,953	9.1	2,446,161	8.9
Bills discounted .....	300,263	1.4	294,831	1.2	320,195	1.2
Debt securities <sup>(1)</sup> .....	48,698	0.2	25,035	0.1	20,797	0.1
Acceptances .....	297,871	1.4	450,106	1.8	388,911	1.4
Other loans .....	67,169	0.3	71,821	0.3	77,156	0.3
<b>Total gross loans and advances .....</b>	<b>21,676,421</b>	<b>100.0</b>	<b>24,434,784</b>	<b>100.0</b>	<b>27,206,363</b>	<b>100.0</b>
Deferred profit .....	(13,184)		(10,108)		(8,546)	
Specific impairment of loans and advances to customers .....	(306,990)		(331,267)		(287,612)	
Collective impairment allowance .....	(48,300)		(48,800)		(48,800)	
<b>Net loans and advances to customers .....</b>	<b>21,307,947</b>		<b>24,044,609</b>		<b>26,861,405</b>	

<sup>(1)</sup> Following amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain financial assets from available-for-sale to loans and advances with effect from 1 July 2008 at fair value at that date.

The table below shows ABQ's customer loan portfolio by industry segment as at 31 December 2014, 2015 and 2016.

	As at 31 December					
	2014		2015		2016	
	(QAR '000)	(%)	(QAR '000)	(%)	(QAR '000)	(%)
<b>Loans and advances to customers</b>						
Government and related agencies .....	1,626,680	7.5	1,791,859	7.3	1,587,288	5.8
Industry .....	762,966	3.5	629,250	2.6	803,495	3.0
Commercial .....	6,715,754	31.0	8,956,276	36.7	11,839,207	43.5
Services .....	2,225,551	10.3	2,687,321	11.0	2,635,170	9.7
Contracting .....	1,921,076	8.8	2,271,610	9.3	2,526,575	9.3
Real Estate .....	4,417,691	20.4	4,130,364	16.9	4,386,573	16.1
Personal .....	4,006,703	18.5	3,968,104	16.2	3,428,055	12.6
<b>Total .....</b>	<b>21,676,421</b>	<b>100.0</b>	<b>24,434,784</b>	<b>100.0</b>	<b>27,206,363</b>	<b>100.0</b>
Less: deferred profit .....	(13,184)		(10,108)		(8,546)	
Specific impairment of loans and advances to customers .....	(306,990)		(331,267)		(287,612)	
Collective impairment allowance .....	(48,300)		(48,800)		(48,800)	
<b>Total .....</b>	<b>21,307,947</b>		<b>24,044,609</b>		<b>26,861,405</b>	

The table below shows a breakdown of ABQ's real estate exposure as at 31 December 2014, 2015 and 2016.

	As at 31 December		
	2014	2015	2016
	(QAR million)	(QAR million)	(QAR million)
<b>Loans and advances to customers</b>			
Real Estate Limit .....	5,303	5,810	6,349
Real Estate Exposure (On & off balance sheet) .....	5,209	5,122	4,842
Un-utilized real estate limit based on QCB Real Estate Ratio .....	94	688	1,507

The year-on-year increases in the value of commercial loans reflects ABQ's involvement in various financings for the country's current infrastructure projects as part of the Qatar National Vision 2030 and in view of the country's hosting of the 2022 World Cup. The value of loans and advances to the real estate

sector decreased marginally in 2015 due to repayments. The value of the personal loan portfolio has remained relatively stable between 2014 and 2015.

See "*Risk management—Credit Risk*" for a discussion of the Group's loan origination and monitoring procedures, its loan classification system and an analysis of its NPLs and provisioning and write-off policies.

### **Funding**

For a description of the Group's funding, see "*Financial Review—Liquidity and Funding—Funding*".

### **Investment Securities Portfolio**

The Group maintains a significant portfolio of investment securities which principally comprises available-for-sale debt securities bearing fixed rates of interest. This portfolio provides the Group with a significant source of interest income and is also used as a funding tool. In 2016, interest income from the Group's investment securities comprised 14 per cent. of its total interest income compared to 15.7 per cent. in 2015 and 16.9 per cent. in 2014. In accordance with the Group's liquidity policy, at least 40 per cent. of the investment securities should be "repoable" at any given time.

At 31 December 2016, 76.7 per cent. of the Group's gross investment securities portfolio represented available-for-sale securities, with 23.3 per cent. being held to maturity. At 31 December 2016, 96.7 per cent. of the Group's gross investment securities were interest bearing, with the balance being mutual funds and equity securities. In 2016, all of the Group's interest bearing securities carried interest at a fixed rate.

The table below shows a breakdown of the Group's net investment securities by type as at 31 December 2014, 2015 and 2016.

	As at 31 December					
	2014		2015		2016	
	(QAR '000)					
<b>Available-for-sale</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>Quoted</b>	<b>Unquoted</b>
Equities .....	228,227	88,130	203,346	100,879	79,330	100,916
State of Qatar debt securities/T-Bills .....	1,813,450	1,483,030	1,589,483	1,283,030	1,712,624	1,483,030
Other debt securities.....	1,329,217	—	1,328,628	—	955,310	—
Mutual funds .....	8,745	—	8,430	—	7,794	—
Less: impairment provision of available for sale investments .....	(36,448)	(13,381)	(64,125)	(19,781)	(33,439)	(53,995)
<b>Total available for sale .....</b>	<b>3,343,191</b>	<b>1,557,779</b>	<b>3,065,762</b>	<b>1,364,128</b>	<b>2,721,619</b>	<b>1,529,951</b>
<b>Held to Maturity .....</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>Quoted</b>	<b>Unquoted</b>	<b>Quoted</b>	<b>Unquoted</b>
<i>By issuer</i>						
State of Qatar debt securities .....	—	—	—	—	648,647	—
Other debt securities.....	32,760	—	421,341	—	670,685	—
Less: impairment provisions .....	—	—	—	—	—	—
Total .....	32,760	—	421,341	—	1,319,332	—
<i>By interest rate</i>						
Fixed rate securities .....	32,760	—	421,341	—	1,319,332	—
Floating rate securities.....	—	—	—	—	—	—
Less: impairment provision.....	—	—	—	—	—	—
<b>Total held to maturity .....</b>	<b>32,760</b>	<b>—</b>	<b>421,341</b>	<b>—</b>	<b>1,319,332</b>	<b>—</b>
<b>Total net investment securities .....</b>	<b>3,375,951</b>	<b>1,557,779</b>	<b>3,487,103</b>	<b>1,364,128</b>	<b>4,040,951</b>	<b>1,529,951</b>

The Group's investment securities portfolio focuses on Government fixed income securities and treasury bills and other fixed income debt securities, with a high investment grade rating. This is in line with the Group's investment strategy to invest in securities with the desired credit quality and liquidity in order to contribute positively to ABQ's net income.

In 2016, the Group accounted for a QAR 43.5 million impairment in respect of the available-for-sale investments due to a fall in the QSE Index. In 2015, the Group accounted for a QAR 45.3 million impairment in respect of the available-for-sale investments as a result of general market conditions and in

2014, the Group accounted for a QAR 9.6 million impairment in respect of the available-for-sale investments as a result of the U.S. Federal Reserve's decision to taper quantitative easing which affected bond prices (see Note 11(c) to the 2015 Financial Statements).

### ***Competition***

The Qatari banking sector is highly competitive, particularly with respect to retail banking activities, and is currently comprised of 18 banks (11 of which are Qatari domestic banks), including six conventional banks, four Islamic banks, one specialised development bank owned by the State of Qatar and seven local branches of foreign banks.

The focus of foreign banks in Qatar is primarily related to trade finance, foreign currency operations and Qatari government-related business, although several of these foreign banks also provide personal accounts and related services to individuals resident in Qatar. Foreign banks in Qatar compete for the same business as ABQ and other domestic banks, but operate under certain restrictions imposed by the QCB. The lending limits of foreign banks are based on their local capital base; however, foreign banks have historically been permitted to obtain guarantees from their head offices when credits exceed their legal lending limits.

ABQ's principal domestic competitors in Qatar include Qatar National Bank, Commercial Bank of Qatar, Doha Bank, Al Khalij Commercial Bank and International Bank of Qatar.

Qatar has also established the QFC to attract new banks. The QFC has a low-tax environment, with a 10.0 per cent. tax on profits and allowing a 100 per cent. foreign ownership and profit repatriation. The QFC is targeting global institutions relevant to the energy and other key sectors of the Qatari economy and which have expertise in banking, insurance, asset management, financial advisory services, and securities and derivatives dealing, as well as Islamic finance. Institutions registered with the QFC fall into two categories:

- providers of "regulated activities" (essentially financial services); and
- providers of "non-regulated" activities (essentially activities in support of financial services).

QFC registered banks are currently subject to explicit restrictions on their local banking activities and, as a result, they cannot transact with retail customers in Qatar. However, these banks are often more experienced and able to offer more sophisticated products and services to corporate and institutional customers in Qatar, which adds another dimension to the competitive environment.

### ***Information Technology***

ABQ's IT strategy is focused on delivering secure, cost-effective and contemporary technology services to customers as well as providing reliable and available information and systems to its customers and employees. It also assesses ABQ's future operational needs and develops and implements new IT systems to meet them, in each case with reference to ABQ's overall technology strategy and with the primary aim of delivering efficient, secure and cost-effective systems. During 2014 and 2015, ABQ initiated a refurbishment of its branch network which included a host of technological enhancements including a range of interactive customer experiences. ABQ's alternative distribution channels also benefited from technological upgrades to enhance overall customer experience including the introduction of ABQ's new mobile banking application available on Android and Apple smart phone and mobile devices.

In 2015, ABQ received two Asian Banker awards in recognition of the significant progress in its information technology capabilities including for its compliance risk technologies (see "*Awards and Accolades*" above). The IT department continues to focus on digitisation and straight-through-processing. During 2015, ABQ successfully launched its new lending platform which facilitates straight-through-processing of loan applications and approvals and has paved the way for future 'paperless' developments.

ABQ is heavily focused on the security and protection of its customer's information. ABQ adopts the 3D Secure Service which enables secure online card transactions through the use of a one-time password authentication process. Each of the ATMs in ABQ's network is equipped with anti-skimming and password shield devices. In 2015, ABQ became certified as compliant with the Payment Card Industry – Data Security Standards ("**PCI-DSS**"), a recognised global security standard in the payment card industry. This certification provides additional assurance to ABQ's customers and stakeholders of ABQ's

commitment to ensuring the security of customer's card and transaction information. ABQ also has robust card fraud prevention systems and has the technological capabilities in place to cater for the increased volume of payroll card transactions resulting from the introduction in Qatar of the Wage Protection System.

During the course of 2016, the new IT strategy was approved by the Board and was rolled out across the business. The IT strategy aims to transform the IT infrastructure and provide digital platforms to customers. It will also increase the automation levels of the back office using digital technologies, including cloud computing. ABQ also underwent an independent assessment of IT security capabilities. Substantial investments are planned to protect ABQ from new and emerging threats emanating from cyber security.

ABQ has in place a disaster recovery plan prescribing the recovery process and the restoration of critical computer systems, including the local area network, database servers, internet, intranet and email, in the event of an interruption caused by a disaster. ABQ has implemented disaster and recovery sites on remote premises that can be activated when required, to ensure that critical systems and data continue to be fully operational and to provide essential services to its customers. ABQ carries out daily and other periodic data back-ups which are stored at a location in Qatar away from its head office. Additionally, ABQ sends a copy of its critical systems and data to an international location in compliance with QCB instructions. ABQ also carries out annual intrusion tests on its IT network with the assistance of an external vendor. There is no evidence of successful intrusion attempts to date.

### ***Litigation***

ABQ has formal controls and policies in place for managing any legal claims that may arise in the ordinary course of its banking operations. Once professional advice has been obtained and the amount of loss reasonably estimated, ABQ makes provision to account for any adverse effects which the claims may have on its financial standing. However, ABQ is not involved in any litigation, arbitration or administrative proceedings relating to claims which could have a material adverse effect on its financial condition or results of operations and is not aware of any such material litigation, arbitration or administrative proceeding that is pending or threatened. Therefore no material provision has been made as at 31 December 2016.

### ***Insurance***

ABQ maintains various insurance policies and coverage. These include comprehensive bankers blanket bond insurance (including for fraud), insurance for ABQ's financial and non-financial lines (including insurance for property all risk, sabotage and terrorism, workmen's compensation and third party liability), medical insurance for employees and their eligible dependents and life insurance for employees. In addition, ABQ also maintains credit card travel and purchase protection insurance for its credit card holders, credit life insurance for consumer loan and credit card customers and personal accidental insurance for ultra savings account holders (these accounts provide a combination of a savings account, paying a competitive interest rate, and an accidental life insurance cover).

## RISK MANAGEMENT

### Overview

Risk management involves the identification, analysis, evaluation, acceptance, measurement, control, and management of all financial and non-financial risks that could have a negative impact on ABQ's financial performance and reputation. The major risks associated with ABQ's business are credit risk, market risk (which includes foreign exchange risk, interest rate risk, and equity price risk), liquidity risk and operational risk. The objective of risk management is to protect ABQ's asset values and income streams in order to protect the interests of its shareholders and external fund providers, increase shareholder value and achieve a return on equity that is commensurate with the risks assumed.

ABQ has a risk management department (the "RMD") and an established risk management framework which is integral to the operations and risk culture of ABQ. As part of this framework, ABQ has developed several policies and procedures (the "**Risk Policies and Procedures**") which are designed to ensure that appropriate governance is exercised at all levels of ABQ, including the Board, the Board committees, the senior management team and through various management committees (see "**Committees**" below). The Board and senior management participate in reviewing and approving the Risk Policies and Procedures on an annual basis to ensure that the overall risk appetite of ABQ is reflected. The Risk Policies and Procedures are designed to identify and analyse risks, prescribe appropriate risk limitations and controls, identify different approval levels and monitor the level and incidence of such risks on an ongoing basis and prescribe appropriate remedial action. At the same time ABQ maintains its compliance with Basel II and Basel III capital adequacy requirements and the regulations and guidelines of the QCB.

ABQ's risk governance framework is based on the principles of "three levels of defense". Risks are proactively managed within this defined risk framework and in accordance with ABQ's Risk Policies and Procedures:

- *The first line of defence:* at this level the various business units are accountable for the ownership, management and control of all risks at an operational level and are responsible for defining the risks specific to their business areas and for implementing processes and testing key controls in compliance with ABQ's approved risk strategy and Risk Policies and Procedures. Each of the business units submits regular reports to the Operations Risk Committee;
- *The second line of defence:* at this level ABQ's internal control function, primarily the RMD and the Compliance and Legal Affairs Departments act to mitigate the risks falling within their powers and according to their authorities and duties. These departments ensure that the activities of ABQ are conducted within the operational risk management framework and within appropriate risk limits, as well as ensuring compliance with applicable legal and regulatory requirements. Regular monitoring and reporting are an integral part of these functions; and
- *The third line of defence:* at this level the Internal Audit Department carries out periodic reviews and evaluations to ensure the effectiveness and efficiency of internal controls and compliance with ABQ's Risk Policies and Procedures and regulatory requirements. The Internal Audit Department submits periodic reports of its activities to the Audit Committee of the Board.

ABQ believes that the risk management framework and procedures implemented by it have allowed it to maintain a low non-performing loans ("**NPL**") ratio of 0.82 per cent. as at 31 December 2016 and 1.24 per cent as at 31 December 2015. ABQ's provision coverage ratio (the ratio of provisions for non-performing loans) was 151 per cent. as at 31 December 2016 and 126 per cent. as at 31 December 2015, reflective of ABQ's commitment to prudent risk management.

### Committees

Governance provides the basic corporate framework around which ABQ's businesses and risks are managed and includes the establishment of Board and management committees with independent authorities and duties and due segregation of roles, business and risk strategy, risk appetite and policies. The Board is ultimately responsible for establishing ABQ's strategy, identifying and controlling risks, and for establishing and disseminating ABQ's overall risk appetite limits. To accomplish this objective, the Board had established seven management committees which report into five Board committees which

manage and monitor the risks faced by ABQ. In July 2015, the QCB issued circular no. (A.R. 68/2015) on corporate governance (the "**Governance Instructions**"). ABQ actively seeks to implement the Governance Instructions and in 2015 it restructured certain of its Board and management committees in accordance with the Governance Instructions by separating the Audit, Risk and Compliance Committee into two separate committees, the Risk and Compliance Committee and the Audit Committee.

### ***Board Committees***

The five Board committees comprise:

#### ***Board Risk and Compliance Committee ("**BRCC**")***

The BRCC is chaired by Sheikh Faisal Bin Abdul Aziz Bin Jassim Al Thani and comprises two other members; Mr Amhed Abdul Rahman Nasser Fakhro and Mr Victor Nazim Rida Agha. The BRCC held three meetings in 2016. The BRCC is responsible for developing and periodically updating the overall risk strategy of ABQ including the type and level of acceptable risks across the various business lines, such strategy to be approved by the Board. The BRCC develops and periodically reviews ABQ's Risk Policies and Procedures, including the setting of clear exposure limits and ensuring a comprehensive system of periodic risk control. The BRCC is also responsible for overseeing the overall compliance function of ABQ. It approves ABQ's compliance policies (including its anti-money laundering policy) and procedures to ensure ABQ's compliance with applicable laws and regulations and the effectiveness of internal control systems and risk management. It also adopts policies to monitor compliance including the function of an independent risk management officer (the "**RMO**"). The BRCC receives regular reports from the Compliance Department and raises any concerns and its recommendations to the Board. The BRCC also reviews reports submitted by the RMD and discusses steps that have been taken by management to evaluate, monitor and control credit risk, operational risk and market risk. In addition, the BRCC is responsible for ensuring that appropriate mechanisms are in place for the timely reporting of any policy breaches.

#### ***Board Executive Committee ("**BEC**")***

The BEC is chaired by Sheikh Nasser bin Ali bin Saud Al Thani and comprises two other members; Mr Amhed Abdul Rahman Nasser Fakhro and Mr Victor Nazim Rida Agha. The BEC did not hold any meetings during 2016, and passed all its resolutions by circulation in accordance with its terms of reference. The BEC is responsible for the overall management and operation of ABQ's affairs in accordance with ABQ's annual budget, business objectives and strategy and instructions related to the financial, administrative, operational, and credit policies as approved by the Board from time to time. The BEC also has responsibility for evaluating and approving certain credit facilities and for approving ABQ's investment activities within authorised limits set by the QCB guidelines and the Board's internal risk and exposure limits, in particular where the related values exceed the powers delegated to the executive management.

#### ***Board Audit Committee ("**BAC**")***

The BAC is chaired by Mr Fahed Saad Al-Qahtani and comprises two other members; Sheikh Jassim Bin Mohammed Bin Hamad Al-Thani and Sheikh Fahad Bin Falah Bin Jassim Al-Thani. The BAC held four meetings in 2016 and passed resolutions by circulation in accordance with its terms of reference. The BAC provides recommendations to the Board regarding the appointing of external auditors and the determination of audit fees. The BAC also reviews the plan and scope of internal audit, ensures co-ordination between the internal and external auditors and ensures that the internal audit process has adequate and effective resources to carry out its responsibilities on an annual basis. The BAC also reviews the financial statements of ABQ prior to submission to the Board and discusses any observations or reservations emanating from the audit or the final audit report. The BAC also reviews the content of any regulatory reports issued and responds accordingly.

#### ***Board Governance, Nomination and Remuneration Committee ("**BGNRC**")***

The BGNRC is chaired by Sheikh Faisal Bin Abdulaziz Bin Jassim Al-Thani and comprises two other members; Sheikh Faisal Bin Thani Bin Faisal Al-Thani and Mr Ahmed Abdulrahman Nasser Fakhro. The BGNRC held three meetings in 2016. The BGNRC prepares and develops strategies and objectives, policies, systems, plans and budgets based on the directives of the Board. In addition, the BGNRC is

responsible for ABQ's rewards, incentives and remunerations structure in accordance with ABQ's by-laws, QCB guidelines and the Corporate Governance Code for Shareholding Companies listed on the Main Securities Market issued by the QFMA on 9 March 2015 (the "**Governance Code**"). It makes its recommendation on bonuses and remuneration to the Board based on approved annual performance evaluation systems. The BGNRC is also responsible for overseeing the process of nominations for Board membership.

#### *Board Tender Committee ("BTC")*

The BTC is chaired by Sheikh Faisal Bin Abdulaziz Bin Jassim Al-Thani and comprises two other members; Sheikh Nasser bin Ali bin Saud Al Thani and Mr Ahmed Abdulrahman Nasser Fakhro. The BTC is responsible for receiving and administering any tenders or purchase quotations including any offers for the sale or purchase of properties and lands owned by ABQ or which ABQ is considering acquiring. In this regard, the BTC is responsible for reviewing and approving the administrative, financial and technical requirements for all tenders and auctions. It has the ultimate decision making power in respect of tenders and purchase orders that exceed QAR 400,000 (if they are budgeted) or that exceed QAR 200,000 (if they are unbudgeted). The BTC passed several resolutions in accordance with its terms of reference.

#### *Management Committees*

Day-to-day management is overseen by seven management committees which report directly to the CEO.

The seven management committees comprise:

##### *Asset Liability Committee ("ALCO")*

The ALCO is chaired by the Head of the Treasury and Investments department and comprises five other members (including the CRO) and a secretary. Meetings of the ALCO are required to be held at least monthly or more frequently as required. The ALCO is responsible for monitoring and managing the financial position of ABQ including, but not limited to, balance sheet asset and liability structure, funding, pricing, hedging and capital management. The ALCO is also responsible for setting exposure limits and monitoring compliance. It also approves proposed funding strategies and monitors the maturity profile of ABQ on an overall basis with ongoing liquidity monitoring by the Treasury and Investments department. In addition all trading activity of ABQ is also monitored at ALCO level.

The ALCO is a key component of risk management within ABQ. Assets and liabilities are managed with the objective of maximising shareholder value, enhancing profitability, and protecting ABQ from facing adverse consequences arising from extreme changes in market conditions or failure to comply with regulatory guidelines.

##### *Investment Committee ("IC")*

The IC is chaired by the Head of Treasury and Investments and comprises three other members (including the CRO). Meetings of the IC are required to be held at least nine times a year or as frequently as required. The IC is responsible for the approval and supervision of ABQ's proprietary investments within the limits set by the Board relating to the amount and type of investments that may be accepted. The IC's management of ABQ's investments is at all times with a view to optimising returns, maximising shareholder value, and enhancing profitability on an agreed risk return basis within the constraints imposed by regulatory guidelines promulgated by the QCB. The IC is also responsible for ensuring that ABQ's investment book provides a liquidity buffer and mitigates market risk attached to ABQ's investments.

##### *Credit Committee ("CC")*

The CC is chaired by the CRO and comprises four other members and a secretary. Meetings of the CC are required to be held at least monthly or more frequently as required. The CC is responsible for supervising risk management activity at executive level. It is responsible for reviewing applications for credit facilities and approving such applications in line with ABQ's overall business strategy and risk appetite statement. In addition, the CC is responsible for:

- reviewing and approving various policies and procedures;

- approving the establishment and renewal of country and bank limits;
- approving credit procedures and strategies and the risk approval criteria for ABQ's retail products;
- granting approval for corporate credit as well as any modification, as per the approved matrix;
- providing recommending to the BEC regarding risk policies and credit approvals outside of its authority;
- determining credit pricing and security guidelines;
- monitoring the portfolio risk profile of ABQ, and recommending measures to address any negative trends identified; and
- ensuring the adequacy of impaired assets provisions.

#### *Operations Risk Committee ("ORC")*

The ORC is chaired by the CRO and comprises eleven other members and a secretary. Meetings of the ORC are required to be held at least monthly or more frequently as required. The ORC is responsible for the active management of operational risks faced by ABQ on a day-to-day basis. The ORC supervises ABQ's management of operational risk primarily through the Board approved Operational Risk Framework (the "ORF") and the Operational Risk Policy (the "ORP"). Operational incidents, risk issues and key risk indicators are monitored by the ORC through the ORM Dashboard which is prepared monthly. The ORC is also responsible for reviewing ABQ's Business Continuity Plan (the "BCP") and Disaster Recovery Plan (the "DR") which outline the procedures to be followed in a disaster scenario. It also reviews the Operational Risk Self-Assessments ("ORSA") which seek to assess operational risks at departmental/process level.

#### *IT Steering Committee ("ITSC")*

The ITSC is chaired by the Deputy CEO of Finance, Operations, Services and Technology and comprises four other members including a secretary. Meetings of the ITSC are held as frequently as required. The ITSC is responsible for the development and implementation of ABQ's IT strategies.

#### *Special Assets Committee ("SAS")*

The SAS is chaired by the CRO and comprises four other members and a secretary. Meetings of the SAS are required to be held at least monthly or more frequently as required. The SAS is responsible for managing ABQ's loan loss provisioning and NPLs. The SAS supervises the day-to-day management of ABQ's special assets (which are categorised as assets which require extensive monitoring and control in order to minimise risk, prevent losses, maximise recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions). SAS is responsible for ensuring that recovery action on all special assets is pursued rigorously and effectively and that the applicable regulatory requirements for provisions are implemented.

#### *Management Committee ("MC")*

The MC is chaired by the CEO and comprises fourteen other members, being the heads of all departments of ABQ and a secretary. Meetings of the MC are required to be held at least monthly or more frequently as required. The MC acts as a consultative group for the CEO. It assists the CEO on a range of risk issues, particularly those surrounding strategic risk and legal risk.

### **Credit Risk**

Credit risk is the risk that a counterparty will fail to discharge its financial obligations to ABQ and will cause ABQ to incur a financial loss. Credit risk arises principally from ABQ's corporate, retail and private banking lending, trade finance, treasury and investment activities. ABQ monitors and evaluates credit exposures on an ongoing basis including potential concentrations of credit risk by country, product, industry or specific counterparty. The BRCC sets appropriate credit exposure limits in consultation with the CC and reviews and modifies credit risk parameters when required. ABQ seeks to manage its

exposures through diversification of its lending activities to avoid undue concentrations of risk with particular individuals or groups of customers in specific geographic locations or industries. It also obtains adequate collateral wherever possible, including mortgages over real estate or residential properties, trade receivables, guarantees, cash or securities. The market values of collaterals are closely monitored by ABQ and ABQ will seek to obtain additional collateral in the event that loans or advances become impaired.

Credit risk is actively managed from loan initiation to approval and disbursement, with all day-to-day management activities supervised by the CC and conducted in accordance with ABQ's Credit Policy and Credit Procedures Manual and in compliance with the regulations of the QCB. The portfolio is actively monitored through a series of focused risk reports which monitor compliance with borrower credit and collateral conditions with the aim of detecting any early-warning signals in order to take timely corrective action. In its management of ABQ's credit risk, the RMD uses a series of risk tools and techniques such as rating models, and is currently in the process of adding scorecards, probability of default ("PD") and Loss Given Default ("LGD") calculators in addition to the current risk tools. ABQ also conducts regular stress-testing in compliance with QCB guidelines.

#### ***Loan originations – approval and authority***

ABQ, acting through the CC, has implemented well-defined corporate and retail credit approval processes governing all lending activity of ABQ. Management believes that ABQ's success in maintaining low levels of non-performing loans has been due to ABQ's strict adherence to this approval process.

Before any credit exposure can be incurred by ABQ, the relationship manager for the respective customer must provide a credit application along with the necessary information and analysis to support the relationship manager's recommendation and this must also be signed off by the Head of the relevant business unit. Each credit application is then subject to review and analysis in accordance with ABQ's approval and authority levels, which differ depending on the category of the proposed customer and the amount of the credit being sought. The assessment of each credit application is based on an evaluation of both internally and externally compiled data on the applicant and an analysis of relevant risks, covering financial, business, structural and management risks to ascertain the proposed borrower's repayment capability and cash flow. The application is also analysed in terms of the intended transaction amount, tenor, security and any relevant delinquency records.

All new credit applications must receive dual approval, firstly by the Head of the relevant business unit and secondly at the risk management level by one of the following levels of credit approval authority:

<b>Approving body</b>	<b>Authority Limit</b>
CRO and one of the Senior Deputy CEO of Corporate Banking, the Head of International Banking or the Deputy CEO of Retail Banking	Up to QAR 25 million and up to QAR 50 million for credit facilities against 105 per cent. cash cover
CC	All amounts above QAR 25 million and up to QAR 500 million
EC	Above QAR 500 million

The table below shows the Group's maximum exposure to credit risk for certain on balance sheet and certain off-balance sheet items as at 31 December 2014, 2015 and 2016. The maximum exposure set forth below is the gross amount, before taking into account the effect of mitigation through collateral held or other credit enhancements (see Note 4(b)(i) to the Financial Statements).

	<b>Gross maximum exposure as at 31 December</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(QAR '000)</i>		
Balances with Central Bank .....	1,684,690	1,054,850	1,966,475
Due from banks .....	3,261,913	1,661,793	2,558,091
Loans and Advances to customers .....	26,861,405	24,044,609	21,307,947
Investment securities – debt .....	5,468,965	4,614,155	4,637,667

	Gross maximum exposure as at 31 December		
	2016	2015	2014
	(QAR '000)		
Other assets .....	193,670	184,708	145,465
	<b>37,470,673</b>	<b>31,560,115</b>	<b>30,615,645</b>
Contingent liabilities .....	8,034,584	7,334,467	5,584,576
Unutilised facilities .....	9,928,537	11,277,335	10,344,210
	<b>17,963,121</b>	<b>18,611,802</b>	<b>15,928,786</b>
<b>Total .....</b>	<b>55,433,794</b>	<b>50,171,917</b>	<b>46,544,431</b>

#### *Internal risk ratings and related credit exposure*

It is ABQ's policy to maintain accurate and consistent risk ratings across its credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with ABQ's rating policy. The attributable risk ratings are assessed and updated regularly and the system consists of a ten-scale credit rating system (compared to QCB's five-scale credit rating system), of which seven (with positive and negative modifiers) relate to "performing", and three to "non-performing", as follows:

ABQ's risk rating definition	ABQ's rating	QCB rating	Equivalent Fitch rating	Equivalent Moody's rating	Equivalent S&P rating	Grade
<i>Undoubted</i> – the obligor's capacity to meet its financial commitment on the obligation is extremely strong.....	R01	A	AAA	Aaa	AAA (+/-)	Investment Grade
<i>A very strong credit</i> – very low risk of default and/or negligible expected loss	R02	A	AA (+/-)	Aa (1-3)	AA (+/-)	Investment Grade
<i>A strong credit</i> – low risk of default and/or minimal expected loss .....	R03	A	A (+/-)	A (1-3)	A (+/-)	Investment Grade
<i>A good credit</i> – satisfactory risk of default and/or low expected loss .....	R04	B	BBB (+/-)	Baa (1-3)	BBB (+/-)	Investment Grade
<i>A satisfactory credit</i> – fair risk of default.....	R05	B	BB (+/-)	Ba (1-3)	BB (+/-)	Sub-Investment Grade
<i>A satisfactory credit</i> – average risk of default.....	R06	B	B (+/-)	B (1-3)	B (+/-)	Sub-Investment Grade
<i>Watchlist</i> – high risk of default, material and growing expected loss.....	R07	B	CCC/DDD	Caa/Ca (1-3)	CCC/CC (+/-)	Watch List
<i>Criticised asset</i> – substandard, high risk of default, unacceptable expected loss.	R08	C	DD	C	C	Criticised
<i>Criticised asset</i> – doubtful, default in payment .....	R09	D	D	D	D	Criticised
<i>Criticised asset</i> – loss.....	R10	E	E	E	E	Criticised

As at 31 December 2016, 92.6 per cent. of the Group's customer loans and advances portfolio was neither past due nor impaired. As at 31 December 2015, 89.5 per cent. of the Group's customer loans and advances portfolio was neither past due nor impaired. In addition to its customer loan portfolio, the Group also has significant credit exposure in relation to its investment securities portfolio and other banks. None of this exposure was past due or impaired at 31 December 2016 and 31 December 2015.

The Group's past due but not impaired loans and advances to customers are those for which contractual interest or principal payments are past due, but ABQ believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to ABQ. The table below shows the Group's past due but not impaired customer loans and advances as at 31 December 2014, 2015 and 2016.

	Past due but not impaired customer loans and advances as at 31 December		
	2016	2015	2014
	QAR '000		
Up to 60 days.....	1,636,563	2,156,760	1,444,357
61 to 90 days .....	56,244	57,366	323,110
<b>Gross loans and advances.....</b>	<b>1,692,807</b>	<b>2,214,126</b>	<b>1,767,467</b>

### ***Risk concentrations***

ABQ's credit policies are also structured to ensure that ABQ is not over-exposed to a given client, industry sector or geographic area. ABQ sets country risk limits in accordance with the QCB's guidelines and the limits are subject to approval by the CC. The CC monitors ABQ's adherence to the determined country limits on a monthly basis and periodically reviews these limits to determine whether upward or downward risk classification is required to ensure that country exposure limits are appropriate and in line with ABQ's long-term strategy. The table below shows ABQ's country risk categories and exposure limits.

ABQ's risk category	Country credit rating	Credit Limit % of LECB*
I	AAA to AA-	150
II	A+ to BBB-	75
III	BB+ and below	50

\* Large exposure capital base as computed for QCB purposes on a quarterly basis.

As at 31 December 2016, 93.8 per cent. of the Group's maximum credit exposure was based in Qatar, with additional minimal exposures of 2.9 per cent. to other countries in the GCC, 1.4 per cent. to Europe and 1.9 per cent. to other geographical regions. For a breakdown of the Group's credit exposures in terms of geographical region see Note 4(b)(ii) to the Financial Statements.

ABQ sets industry credit exposure limits in accordance with ABQ's Risk Policies and Procedures. These limits seek to prevent over-exposure to particular industry sectors and are subject to approval by the CC. The limits are regularly monitored and reviewed to ensure compliance with the current limits and to react to any potential economic developments which might require the industry limits to be revised, thereby ensuring the soundness of the asset quality is maintained. The following table shows the Group's gross credit exposure (before taking into account collateral held or other credit enhancements) by industry sector as at 31 December 2014, 2015 and 2016.

	As at 31 December					
	2014		2015		2016	
	(QAR '000)	(%)	(QAR '000)	(%)	(QAR '000)	(%)
Government .....	4,686,793	10.07	3,281,636	6.54	5,470,038	9.87
Government agencies .....	1,875,581	4.03	2,281,587	4.54	1,793,890	3.24
Industry .....	1,020,364	2.19	844,920	1.68	941,290	1.70
Commercial .....	6,646,712	14.28	8,946,038	17.83	11,771,734	21.24
Services .....	6,274,528	13.48	6,058,549	12.08	7,357,867	13.27
Contracting .....	1,921,076	4.13	2,271,605	4.53	2,526,575	4.56
Real Estate.....	4,404,807	9.46	4,197,011	8.37	4,378,028	7.90
Personal.....	3,785,784	8.13	3,678,769	7.33	3,231,221	5.83
Contingent liabilities.....	15,928,786	34.23	18,611,802	37.10	17,963,121	32.40
<b>Total.....</b>	<b>46,544,431</b>	<b>100.0</b>	<b>50,171,917</b>	<b>100.0</b>	<b>55,433,764</b>	<b>100.0</b>

### ***Collateral policy***

ABQ holds collateral and other credit enhancements against certain of its credit exposures. The determination of eligible collateral and the value of collateral are based on QCB regulations and are assessed by reference to market price or indices of similar assets. The amount and type of collateral obtained depends on an assessment of the credit quality of the credit counterparty. The main types of collateral obtained are as follows:

- Securities lending and reverse repurchase transactions – cash and securities;
- Commercial lending – mortgages over real estate properties, personal guarantees, trade receivables, cash and securities and assignment of project proceeds (Hawalet Haq);
- Retail lending – mortgages over residential properties, cash or securities; and
- Group financing arrangements – ABQ also obtains corporate guarantees from parent companies for loans, advances and financing activities to their subsidiaries.

The market values of collaterals are closely monitored by ABQ. Real estate security is professionally and independently valued once each year and securities are valued on a monthly basis. ABQ will seek to obtain additional collateral in the event that loans or advances become impaired or, under collateralised in case of minimum coverage requirements.

### ***Loan loss provisioning***

The QCB provides guidelines for classifying credit exposure in the following categories.

Type	Number of days past due	Provision
Standard <sup>(1)</sup>	Normal accounts	—
Special mention <sup>(2)</sup>	Up to 90	Management discretion
Substandard <sup>(3)</sup>	90 days up to 180 days	20 per cent.
Doubtful <sup>(3)</sup>	180 days up to 270 days	50 per cent.
Loss <sup>(3)</sup>	270 days and above	100 per cent.

<sup>(1)</sup> Loans classified by ABQ as low risk in the Financial Statements would typically also be classified as Standard under QCB guidelines.

<sup>(2)</sup> Loans classified by ABQ as past due but not impaired in the Financial Statements would typically also be classified as Special mention under QCB guidelines.

<sup>(3)</sup> Loans classified by ABQ as Impaired in the Financial Statements would typically fall under one of the following QCB categories: Substandard, Doubtful or Loss.

Although the QCB provides a provision range for delinquent accounts in different categories, ABQ provides for a more stringent provisioning policy with a minimum provision of 30 per cent. for credit exposures with a total number of past due days ranging from 90 days up to 180 days, 60 per cent. for credit exposures with a total number of past due days from 180 days up to 270 days and 100 per cent. for credit exposures with a total number of past due days greater than 270 days. ABQ is also required to maintain a provision of 2.5 per cent. reserve annually on the total loans and advances portfolio in addition to any specific provision for any exposure.

In addition to the QCB regulatory requirements described above, ABQ has its own internal policy in relation to provisioning and follows IFRS provisioning methodology in the preparation of its Financial Statements. Under IFRS, ABQ assesses whether there is objective evidence that a loan may be impaired based on whether a loss event has occurred and, if so, whether the loss event has a negative impact on the future cash flows expected under the loan. Objective evidence may include significant financial difficulty being experienced by a borrower, a borrower's loans being restructured in a manner that reduces their future cash flows, indications that the borrower may become bankrupt or the occurrence of economic conditions that correlate with increased defaults.

Under IFRS, management assesses all individually significant loans and advances for impairment. Where loans are impaired as a result, the amount of the impairment is the difference between the carrying value of the loan and the present value of the future cash flows expected discounted at the loan's original effective interest rate, after taking account of the value of collateral net of the estimated costs of realising that collateral.

Individually significant loans which are not determined to be impaired and all other loans are also collectively assessed for impairment by grouping together loans with similar risk characteristics and considering factors such as credit quality, portfolio size, concentrations and economic factors. In order to determine the amount of the collective provision, assumptions are made to define the manner in which inherent losses are modelled and to determine the necessary inputs, based on historical experience and current economic conditions.

The QCB requires all Qatari banks to discuss their individually significant provisions with the QCB before a final determination is made on the classification of the loan and the appropriate provisions made. The early detection of accounts which demonstrate the potential to become a non-performing loan (defined as a loan in respect of which payments of principal or interest are overdue by more than 90 days) is central to ABQ's remedial management process. The RMD decides whether to include an account in the watch list based upon predefined early warning sign criteria. Factors considered would include, for example, circumstances in which an account is overdrawn and has been inactive for three months, or where a loan is three or more instalments in arrears or any other qualitative factors.

ABQ aims to ensure that any sign of deterioration in asset quality is promptly recognised and rehabilitation of the account is initiated. For corporate and institutional accounts, the relationship manager has direct responsibility for knowing the condition of each of the customers within his portfolio and it is therefore the relevant relationship manager's responsibility to identify any sign of deterioration and initiate remedial action. The relationship manager is the primary person tasked with the identification of problem accounts. In addition, various reports covering daily excess positions, dormancy and loan instalment delinquency are circulated by the RMD throughout ABQ to the different business divisions and these are examined as appropriate on a daily, weekly or monthly basis by ABQ's relationship managers.

#### ***Loan write-off policy***

After all possible means of recovery are exhausted and in accordance with ABQ's Risk Policies and Procedures, the delinquent accounts are transferred to the legal department so that legal proceedings may be instituted in order to recover outstanding and overdue debt through litigation. In the case of personal accounts, collection efforts are based on clearly defined and strict collection criteria and processes until the account is passed over to the legal department for action.

ABQ writes off a loan or an investment debt security balance, and any related allowances for impairment losses, once the CC has determined 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 debtor's financial position such that the debtor can no longer pay the obligation, or that proceeds from collateral will not be sufficient to repay the entire exposure. For smaller balance standardised loans, write-off decisions are generally based on a product specific past due status. The amount of the Group's write-off for the year ended 31 December 2016 was QAR 43,005 thousand compared to QAR 1,856 thousand in 2015 and QAR 9,382 in 2014.

#### **Liquidity Risk**

Liquidity is the ongoing ability to accommodate liability maturities, fund asset growth and meet other contractual obligations in a timely and cost effective fashion. Liquidity risk is therefore the risk that ABQ will not be able to meet its funding commitments without having to raise funds at high cost or sell assets on a forced basis. ABQ's liquidity management involves maintaining sufficient and diverse funding capacity and maintaining a healthy balance of cash, cash equivalents and readily marketable securities to meet its obligations to mitigate against fluctuations in asset and liability levels arising from unanticipated events or market turbulence. In addition, ABQ maintains 4.75 per cent. of average customer deposits as a mandatory with the QCB. ABQ measures liquidity risk by estimating its funding requirements under different stress-testing scenarios developed internally.

The ALCO is responsible for monitoring ABQ's maturity profile and liquidity position on an overall basis in accordance with the Board approved liquidity policy. Ongoing day-to-day monitoring of ABQ's liquidity position is carried out by the Treasury and Investments department within the limits set by the ALCO. The ALCO meets on a monthly basis and prepares regular liquidity reports which are submitted to the CEO and the QCB.

The liquidity ratios used by the Treasury and Investments department to monitor ABQ's liquidity position include the following:

- *Liquid assets to total assets* – for this purpose liquid assets are considered as including cash and cash equivalents plus investments;
- *Liquidity Coverage Ratio ("LCR")* – during 2014 ABQ started to monitor its performance against the proposed Basel III LCR (as applied by the QCB), pursuant to which ABQ aims to maintain its LCR at a minimum ratio of 80 per cent. for 2016;
- *Net Stable Funding Ratio ("NSFR")* – from 2015, ABQ started to monitor its performance against the proposed Basel III NSFR (as applied by the QCB), pursuant to which ABQ aims to maintain its NSFR at a minimum ratio of 80 per cent. for 2016. The LCR and the NSFR ratios are designed to measure ABQ's ability to meet obligations in short-term liquidity stress situations and the availability to ABQ of long-term stable funds; and
- *Credit ratio and leverage ratio* – this ratio is set at a maximum of 90 by the QCB and includes all of ABQ's loans and deposits as well as qualifying deposit items such as certificates of deposit and medium term funding. ABQ has added significantly to the medium term funding element in its balance sheet in order to diversify its sources of funding and to spread the maturity profile of the deposit base.

The RMD performs stress testing on ABQ's liquidity ratios and reports its findings to the ALCO in accordance with ABQ's liquidity policy.

A maturity analysis of ABQ's financial assets and liabilities is contained in Note 4(c)(ii) to the Financial Statements and a maturity analysis of ABQ's financial liabilities and derivatives is contained in Note 4(c)(iii) to the Financial Statements.

## **Market Risk**

Market risk is the risk that ABQ's earnings or capital, or its ability to meet strategic business objectives will be adversely affected by changes in the level of volatility in market rates or prices including interest rates, commodities prices, foreign exchange rates and equity prices.

Market risk management aims to ensure that risk exposures from the major market risks do not exceed ABQ's risk appetite. ABQ manages its market risks within the regulatory limits defined by the QCB and its internal risk management framework and Risk Policies and Procedures which articulate market risk limits, define permissible conduct and also specify the types of financial instruments which ABQ can acquire as part of its trading and investment activities.

ABQ is exposed to interest rate risk created as a result of assets and liabilities mismatch or off balance sheet instruments that mature or re-price over a given period. Both interest rate gaps and foreign exchange rate fluctuations are managed within the prescribed Board limits. The Market Risk Department, which is part of the RMD, is responsible for monitoring compliance with limits using quantitative risk management techniques and all risk exposures are reported on a daily basis to senior management and any breaches are escalated to ALCO. Stress testing and sensitivity analysis for interest rate risk and foreign exchange risk are conducted on a regular basis and the results are presented to the ALCO for review. In addition, all trading activity is continuously being monitored at ALCO level and the ALCO is responsible for ensuring overall compliance with ABQ's market risk framework.

## **Value at Risk**

ABQ applies a 'value at risk' methodology (the "**VaR**") to its trading portfolios 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. VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount ABQ might lose, but only to a certain level of confidence (for example, 99 per cent.). There is therefore a specified statistical probability (1 per cent.) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed (for example, 10 days). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 10 day periods in the past.

ABQ calculates VaR on a daily basis for both trading purposes and regulatory purposes. For trading purposes, ABQ utilises a one-day VaR model at a confidence level of 95 per cent. to estimate potential losses that may arise from adverse market movements. For regulatory purposes, in compliance with QCB requirements, ABQ utilises a VaR which is generated daily based on a 10 day holding period at a confidence level of 99 per cent. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, ABQ uses a wide range of stress tests, both on individual trading portfolios and ABQ's overall position, to test the financial impact of a variety of exceptional market scenarios, such as periods of prolonged market illiquidity.

### ***Interest rate risk***

The primary risk to which ABQ's non-trading portfolios (or banking book) 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. ABQ's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect its net interest income. Interest rate risk is managed by ABQ principally by monitoring interest rate gaps and by having pre-approved limits for re-pricing bands. The ALCO is the monitoring body for these exposures and for ensuring compliance with limits and is assisted by the Treasury and Investments department in its day-to-day management activities, which include using investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from ABQ's non-trading activities.

A summary of ABQ's interest rate gap position on non-trading portfolios is set out in Note 4(d)(iii) to the Financial Statements. In addition, each of those notes contains an interest rate sensitivity analysis which shows the effect of a 25 basis point change in interest rates applied to the currencies in which the Group's financial assets and liabilities are denominated, with all other variables remaining unchanged, on the Group's net interest income and equity. In 2016, the effect of a 25 basis point increase in interest rates would have been an increase of QAR 22.9 million in net interest income and an increase of QAR 3.1 million in equity. The effect of a 25 basis point decrease in interest rates is expected to have an equal and opposite effect.

### ***Foreign currency risk***

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. ABQ is exposed to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Note 4(d)(iv) to the Financial Statements quantifies the Group's net exposures in its principal currencies as at 31 December 2015 and 2016 and includes a foreign exchange rate movement sensitivity analysis in relation to its pound sterling, euro, U.S. dollar and aggregate other currency exposure.

The Board has set limits on the level of currency exposure, which are monitored daily. Intra-day and overnight limits are laid down for each currency individually and in total. The Qatari riyal has a long-standing history of being pegged to the U.S. dollar at a fixed exchange rate. Although ABQ is not exposed to any currency risk due to this peg, limits are nonetheless set for U.S. dollar exposures. ABQ's other currency exposures are limited and, as a result, ABQ is not significantly exposed to these other currencies.

In March 2017, the QCB will require banks in Qatar to report all outstandings in foreign currency and to adhere to a new limit called "The Net Open Currency Limit". This limit seeks to restrict banks from holding excess levels of foreign currency.

### ***Equity price risk***

Equity price risk arises from fluctuations in equity indices and prices, resulting in a change in fair values of investments. ABQ manages equity price risk according to its internal investment policy, which has been approved by the Board and sets limits on the amount and type of investments that may be accepted. Compliance with ABQ's investment policy and limits is monitored on an ongoing basis by the IC and the CC. ABQ employs several techniques to measure and control activities, including sensitivity analysis.

ABQ's non-trading equity price risk exposure arises from equity securities classified as available-for-sale in ABQ's investment portfolio. Note 4(v) to the Financial Statements contains an equity price movement

sensitivity analysis which shows the effect of a 10 per cent. change in equity prices (based on the market index of the QSE) applied to the Group's available-for-sale equity investments, with all other variables remaining unchanged, on the Group's equity. In 2016, the effect of a 10 per cent. change in the equity prices would have been a change of QAR 5.4 million in the fair value of the Group's available-for-sale equity investments.

### ***Derivatives***

In the ordinary course of ABQ's business, ABQ enters into a range of transactions that involve derivative financial instruments. The positions accumulated from customer activity are always passed on to other entities in the market and ABQ does not carry open positions. ABQ also uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate movement as part of its asset and liabilities management activities. This hedging may be in respect of specific financial instruments, forecasted transactions or strategic hedging against overall balance sheet exposures. ABQ uses forward foreign exchange contracts to hedge against specifically identified currency risks. In addition, ABQ uses interest rate swaps to hedge against the interest rate risk arising from specifically identified fixed rate exposures. ABQ also uses interest rate swaps to hedge against cash flow risks arising on certain floating rate liabilities. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and accounted for as fair value or cash flow hedges. Hedging of interest rate risk is also carried out by monitoring the duration of assets and liabilities and entering into interest rate swaps to hedge net interest rate exposures. Since hedging of net positions does not qualify for special hedge accounting, related derivatives are accounted for the same way as trading instruments.

Note 30 to the Financial Statements shows the fair values and notional amounts of the Group's derivative instruments as at 31 December 2014, 2015 and 2016.

### ***Operational Risk***

Operational risk is the risk of loss arises to ABQ as a result of inadequate or failed internal processes, people or systems or the materialisation of adverse external events. The ORC is responsible for managing operational risks faced by ABQ on a day-to-day basis including measuring, monitoring and mitigating identified operational risks. Monitoring of operational risk is carried out via the operational risk management dashboard which is prepared monthly and reported to the ORC. The ORC supervises ABQ's management of operational risk primarily through the Board approved Operational Risk Framework (the "ORF") and the Operational Risk Policy (the "ORP").

ABQ annually performs Operational Risk Self-Assessments ("ORSA") for all main business processes to assess, document and report the operational risks encountered in the course of normal business activity and to find mitigants for possible new risks. In addition, for important business processes, ABQ has defined certain Key Risk Indicators ("KRI") which are intended to monitor performance in line with set objectives. The ORC approves the ORSAs annually, monitors KRIs and reviews operational risks faced by various business functions in ABQ on a regular basis throughout the year to identify root causes, to track the status of any open risks and pursue appropriate controls when necessary. The Compliance Department and Internal Audit also perform independent periodic reviews to assess the adequacy of check and controls at any given point in time.

In addition, ABQ has a robust Business Continuity Plan ("BCP") and Disaster Recovery Plan ("DRP"). These plans document the procedures to be followed in a disaster scenario and include extensive plans that are designed to minimise business interruption arising from internal and external disruptions such as natural disasters or power failures. The BCP aims to establish the level of impact upon ABQ's business activity of having to operate from a different site in the event of an emergency or natural disaster. The DRP prescribes the recovery process and the restoration and access to critical computer systems, connectivity to local area network, database servers, internet, intranet and e-mails in the event of disruption. This is a well-established process and is tested periodically throughout the year, in line with QCB requirements. All test completions must be signed off by the respective department Heads to validate that tests were successfully carried out. BCP test reports are also circulated to the members of the ORC for their review. Both the BCP and the DRP processes have been independently audited by external auditors in accordance with QCB requirements and were found to be in compliance.

## ***Compliance***

### ***Overview***

Compliance is an independent function that identifies, assesses, advises on, monitors and reports on ABQ's compliance risk (the risk of legal or regulatory sanctions, financial loss or loss to reputation) that ABQ may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice. Compliance is under the supervision of the BRCC and all of ABQ's business functions are subject to ABQ's internal "Compliance Policy" and "Compliance Monitoring Programme" as well as compliance guidelines issued by the QCB. To ensure its integrity and independent functioning, ABQ's Compliance Department reports directly to the BRCC. ABQ at all times seeks to comply with regulatory requirement of the QCB and the rules and requirements of the QSE and the QFMA. Internal Audit ensures that ABQ's robust compliance framework is being proactively implemented. ABQ's compliance function is also reviewed by the QCB and ABQ's internal and external auditors.

ABQ's compliance programme has three main pillars, namely to advise, monitor and report, which are built on a foundation of a sound understanding of the appropriate regulatory requirements. Advising encompasses internal notification of regulatory change, new products and services and internal processes as well as other internal communications including training (for instance, in 2016 ABQ successfully implemented an online training platform which currently supports anti-money laundering ("AML") and information security training). Monitoring includes procedures for compliance reviews, breach escalation, complaints handling, whistleblowing, compliance breach management and compliance indicators. Reporting is for executive management, the Board and regulators.

As compliance requirements are constantly evolving, ABQ's compliance function, including its compliance policies and procedures, is periodically reviewed and updated to reflect any changes in local and international regulatory environments and to address any changes in ABQ's risk profile.

Compliance reports and updates are provided to the BRCC to ensure Board level awareness and directives on compliance are issued across ABQ to the separate business units and departments.

ABQ also has a Code of Ethics and Business Conduct and all employees are required to comply not just with the letter, but also the spirit, of all relevant legal and regulatory requirements and of ABQ's business and ethical standards. Business units are required to consult and co-ordinate with the Compliance Department and internal legal regarding the launch of any new product or any significant feature changes to ensure compliance with local laws and regulations.

### ***KYC, anti-money laundering and counter-terrorism financing***

ABQ has well-defined and comprehensive KYC policies and processes. ABQ's KYC process includes customer profiling, risk assessment and due diligence aspects. Every business relationship within ABQ is reviewed and rated against defined risk parameters that comply with applicable regulatory requirements. These relationships are subject to one of reduced, standard or enhanced know your customer due diligence procedures, depending on the level of assessed risk.

Money laundering is the process by which criminals attempt to hide and disguise the true origin and ownership of the proceeds of their criminal activities. The term "money laundering" is also used in relation to the financing of terrorist activity (where the funds may, or may not, originate from crime). In addition to KYC, ABQ has adopted comprehensive and effective internal controls in anti-money laundering and combating the financing of terrorism through its "AML and CFT Policy and Procedures Manual" which is approved by the Board and which is designed to comply with all applicable regulatory requirements. In addition, ABQ has comprehensive anti-bribery and anti-corruption policies which are communicated and implemented throughout the various business operations through ABQ's Code of Ethics and Business Conduct and the HR Policy Manual. The Compliance Department and the business units work together to ensure that clients and transactions are screened to enable ABQ to comply with all applicable AML regulations and to ensure that transactions are not conducted with entities on sanctions lists such as OFAC and other international lists. Regular AML staff training is also implemented throughout ABQ to ensure that all staff in the various business segments are aware of and efficient in applying of ABQ's AML policies and procedures

### ***Internal Audit***

ABQ has its own Internal Audit department which reports directly to the Board, through the BAC, in order to ensure its independence. The Internal Audit department's primary purpose is to provide assurance and oversee the effectiveness of ABQ's governance, risk management and internal controls. Its mandate and authority are derived from ABQ's "Internal Audit Manual for Internal Audit", which has been approved by the BAC and ratified by the Board. The Head of Internal Audit is nominated by the BAC and submits periodic reports directly to the BAC and other senior management.

The Internal Audit department applies the risk based audit approach to ensure that high important risks to which ABQ and ABC are exposed are covered and there is an immediate action plan which can be implemented to mitigate such risks. The Internal Audit department also co-ordinates with the various "lines of defence" within ABQ on a continuous basis in order to remain alert to the occurrence of potential risks.

The compliance and risk management processes throughout ABQ are audited annually by Internal Audit, including an examination of the adequacy, effectiveness and efficiency of the control structure across all parts of ABQ and ABQ's adherence to those controls, including compliance with external laws and regulations. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the BAC, in particular where it identifies weaknesses which are not properly resolved by the relevant business units. The BAC also reviews the plan and scope of internal audit, ensures co-ordination between the internal and external auditors and ensures that the internal audit process has adequate and effective resources to carry out its responsibilities on an annual basis.

The Internal Audit department is also tasked with: (i) performing a scheduled audit of branches, departments, divisions, products, processes, systems, procedures and controls in conformity with the annual audit plan agreed with and approved by the BAC; (ii) performing independent assessments of the quality of ABQ's various credit portfolios; and (iii) providing consulting services to ABQ's Executive Management and businesses such as special reviews of new projects, systems, applications, outsourced facilities, and policies and procedures. The Internal Audit department also assists with fraud investigations and other assignments at the request of either the BAC or ABQ's senior management.

## MANAGEMENT AND EMPLOYEES

### Board of Directors

The board of directors (the "**Board**" and each member of the Board, a "**Director**") is responsible for the overall direction, supervision and control of ABQ. The Board has delegated responsibility for overall executive management to ABQ's senior management team under the leadership of ABQ's Chief Executive Officer (the "**CEO**"). ABQ carries out its duties and responsibilities according to its charter. The principal role of the Board is to oversee the implementation of ABQ's strategic initiatives and its functioning within the agreed framework in accordance with relevant statutory and regulatory structures and, in all circumstances, to act in the best interests of ABQ's shareholders.

The Board currently consists of eight members, six of whom are elected by the General Assembly of Shareholders and two of whom are appointed to the Board by Qatar Foundation. ABQ's board members are elected or appointed for three-year renewable terms.

On 16 February 2016, the extraordinary general assembly of ABQ approved the Board's recommendation to add a ninth member to the Board in order to comply with the corporate governance instructions issued by the QCB in Circular No. (A.R 68/2015) dated 26 July 2015. The extraordinary general assembly also authorised the Board to appoint, dismiss and replace such new member. As at the date of this Base Prospectus, the ninth member of the Board is yet to be appointed.

The Board meets regularly and is required to meet at least six times a year. The Board can be convened upon the request of any two Board member and all Board meetings are held upon a notice issued by the Chairman or the Deputy Chairman (in the case of the absence of the Chairman). A majority of the Board are required to attend in order for a Board meeting to be quorate. A Director may appoint another Director to represent and vote for him in his absence. Decisions of the Board are, with limited exceptions, made by majority votes of those present (in person or by proxy) at the meeting. In the event of a split decision, the Chairman holds the casting vote.

As at the date of this Base Prospectus, the Board is comprised of the following eight members:

Name	Position(s)	Date of appointment to current position	Date of expiration of appointment
Sheikh Faisal Bin Abdulaziz Bin Jassim Al-Thani .....	Chairman and Managing Director	2011 <sup>(1)</sup>	2017
Sheikh Nasser Bin Ali Bin Saud Al-Thani .....	Deputy Chairman and Member	2013 <sup>(2)</sup>	2017
Sheikh Faisal Bin Thani Bin Faisal Al-Thani .....	Member	2014	Notification <sup>(3)</sup>
Mr. Fahed Saad Al-Qahtani .....	Member	2014	Notification <sup>(3)</sup>
Sheikh Jassim Bin Mohammed Bin Hamad Al-Thani .....	Member	2014	2017
Sheikh Fahad Bin Falah Bin Jassim Al-Thani .....	Member	2015	2017
Mr. Ahmed Abdulrahman Nasser Fakhro .....	Member	1995	2017
Mr. Victor Nazeem Agha .....	Member	2005	2017

<sup>(1)</sup> Appointed as Chairman in 2011 and appointed as Managing Director in 2013.

<sup>(2)</sup> Appointed as member of the Board in 1997 and appointed as Deputy Chairman in 2013.

<sup>(3)</sup> Upon written notification from Qatar Foundation.

The business address of each of the Directors is Suhaim Bin Hamad Street, Al Sadd, P.O. Box 2309, Doha, State of Qatar. There are no potential conflicts of interest between the private interests or other duties of the Directors of ABQ listed above and their duties to ABQ.

### Biographies

#### *Sheikh Faisal Bin Abdulaziz Bin Jassim Al-Thani, Chairman and Managing Director*

Sheikh Faisal Bin Abdulaziz Al-Thani has been serving on the Board of ABQ since 2005. He has been the Chairman of the Board since 2011 and the Managing Director since 2013. He is also the Chairman of the Risk and Compliance Committee, the Governance, Nomination and Remuneration Committee and the Tender Committee. He is also currently the chairman for Gulf American Company for Trading and Contracting and FBA Company (each based in Qatar) and was formerly a member of ABQ's Audit Committee. He holds a bachelor's degree in finance from Suffolk University in Boston, United States.

*Sheikh Nasser Bin Ali Bin Saud Al-Thani, Deputy Chairman and Member*

Sheikh Nasser Al-Thani has been serving on the Board of ABQ since 1997 and has been the Deputy Chairman since 2013. He is currently the Chairman and Managing Director of Qatar General Insurance and Re-Insurance Company. He is also a board member of Trust Bank (Algeria), Trust Insurance Company (Algeria), Trust Insurance Company (Libya), Trust Investment, Oman Reinsurance, Jordanian Expatriates Investment Holding, World Trade Centre (Qatar), Al-Sari Trading Company (Qatar) and General Contracting Company (GENCO) (Qatar). He holds a bachelor's degree in business administration..

*Sheikh Faisal Bin Thani Bin Faisal Al-Thani, Member*

Sheikh Faisal Al-Thani has been serving on the Board of ABQ since 2014. He is currently the Chief Investment Officer of Qatar Foundation Endowment, board member of Bharti Airtel Ltd, board member of Nakilat and board member of Qatar Insurance Company. He also has three years' experience as Assistant Investment Manager at the QCB. He holds a bachelor's degree in business administration from Marymount University in Virginia, United States and an Executive Masters in Business Administration from HEC Paris.

*Mr. Fahed Saad Al-Qahtani, Member*

Mr. Al-Qahtani has been serving on the Board of ABQ since 2014. He is also the Chairman of the Audit Committee. He is currently the President of Community Development for Qatar Foundation for Education, Science and Community Development. He is also a board member of Siemens (Qatar), Astad Project Management, Mazaya Qatar Real Estate Development, Amlak and Tornado. He holds a bachelor's degree in engineering management from the University of Hertfordshire in Hatfield, United Kingdom.

*Sheikh Jassim Bin Mohammed Bin Hamad Al-Thani, Member*

Sheikh Jassim Al-Thani has been serving on the Board of ABQ since 2014. He is also a member of the Audit Committee and he is a board member of Mohamed Bin Hamad Holding Company (Qatar). He holds a bachelor's degree in business administration from Plymouth University in London, United Kingdom.

*Sheikh Fahad Bin Falah Bin Jassim Al-Thani, Member*

Sheikh Fahad Al-Thani has been serving on the Board of ABQ since 2015. He is currently a board member of Al-Majal International Trading and Contracting Co. (Qatar), Doha Restaurants (Qatar), Touristic Investment Co. Qatar; Damsa International (Qatar) and Galaxy Cleaning and Maintenance Co. (Qatar). He holds a bachelor's degree in finance from George Washington University in Washington, D.C., United States.

*Mr. Ahmed Abdulrahman Nasser Fakhro, Member*

Mr. Fakhro has been serving on the Board of ABQ since 1995. He is also a member of the Risk and Compliance Committee, the Executive Committee, the Governance, Nomination and Remuneration Committee and the Tender Committee. He is currently a board member of Qatar Cinema and Film Distribution Company and formerly held the position of Minister of Plenipotentiary in the Qatari Ministry of Foreign Affairs.

*Mr. Victor Nazeem Agha, Member*

Mr. Agha has been serving on the Board of ABQ since 2005. He is also a member of the Risk and Compliance Committee and the Executive Committee. He is currently the General Director of Al-Sadd Travel Agency (Qatar) and Al-Sadd Exchange Company (Qatar). He is also a board member of Doha Insurance Company (Qatar) and Al-Majda Real Estate Investment Company (Qatar) and was formerly a board member of Al Sadd Sports Club (Doha, Qatar).

**Board Committees**

The Board has delegated certain of its duties to the following five committees: the Risk and Compliance Committee, the Executive Committee, the Audit Committee, the Governance, Nomination and

Remuneration Committee and the Tender Committee (see further "*Risk Management—Committees—Board Committees*").

## Senior Management

In addition to the executive Board members, the day-to-day management of ABQ's business is conducted by the following senior managers (the "**Senior Managers**") who are considered relevant to establishing that ABQ has the appropriate expertise and experience for the management of its business.

Name	Position(s)
Salah Jassim Murad .....	Chief Executive Officer
Mahmoud Malkawi .....	Senior Deputy Chief Executive Officer, Corporate Banking
Mahalingam Shankar .....	Deputy Chief Executive Officer, Finance, Operations and IT
Mr. Hasan Ahmed AlEfrangi .....	Deputy CEO Retail and Private Banking
Mohammed Al Namla .....	Deputy CEO Business Support and Services
Mohamed Aof .....	Executive Manager of Legal Affairs
Saad Al-Kaabi .....	Head of Human Resources
Trevor Bailey .....	Head of International Banking
Stuart Davies .....	Acting Head of Treasury and Investments
Karim Salem .....	Acting Chief Risk Officer
Johny AlKhoury .....	General Counsel and Board Secretary
Zakaria Abedraboh .....	Head of Compliance
Maher Barakat .....	Head of Internal Audit
Abdullah Salman Al Mohameed .....	Executive Director of Project Management and Real Estate

The business address for each of the Senior Managers is Suhaim Bin Hamad Street, Al Sadd, P.O. Box 2309, Doha, State of Qatar. There are no potential conflicts of interest between the private interests or other duties of the Senior Managers listed above and their duties to ABQ.

## Biographies

### *Salah Jassim Murad, Chief Executive Officer*

Mr. Murad has over thirty years of commercial banking experience, including six years of senior management experience with Ahli United Bank ("**AUB**") (including three years as the Chief Executive Officer of AUB prior to the change in shareholding structure when Qatar Foundation acquired AUB's stake in ABQ). He has been the CEO of ABQ in its current form since January 2013. In addition, he has participated in investment delegations under the Bahrain Chamber of Commerce and is a member of Qatar Businessmen Association. He holds an MBA from the University of Strathclyde, United Kingdom.

### *Mahmoud Malkawi, Senior Deputy Chief Executive Officer, Corporate Banking*

Mr. Malkawi has worked for ABQ since January 2001 and was appointed as the Senior Deputy Chief Executive Officer of Corporate Banking in February 2013. He is responsible for managing ABQ's Corporate Banking division and is also the Chairman of Ahli Brokerage Company. He has 36 years of experience in corporate banking and other banking fields and his previous positions include board member as well as Deputy Chief Executive Officer for Corporate Banking, Treasury and Investments for a number of committees in various banking institutions. He has also previously acted as the Executive Manager with Arab Banking Corporation Jordan and ABQ of Credit and Commerce. Mr. Malkawi holds a bachelor's degree in accounting and a diploma in business administration from Jordan University in Amman, Jordan.

### *Mahalingam Shankar, Deputy Chief Executive Officer, Finance, Operations and IT*

Mr. Shankar has worked for ABQ since July 2006 and was appointed as the Deputy Chief Executive Officer of Finance, Operations, Services and IT in March 2013. He is responsible for support functions such as finance, operations, technology and services and has around 24 years of experience in the financial services industry. He has previously held the positions of Manager of Operations with GE Capital, Head of Financial Control and Accounting in Dresdner Bank and Senior Analyst with Gulf Bank (Kuwait). He holds a bachelor's degree in commerce from Delhi University in New Delhi, India. He also holds a postgraduate degree in finance from the Institute of Cost Accountants of India (ICMAI), India, and an executive education from Harvard Business School, United States and Wharton School of Pennsylvania, United States

*Mr. Hasan Ahmed AlEfrangi, Deputy CEO Retail and Private Banking*

Mr. AlEfrangi has worked for ABQ since September 1999 and has been in the position of Deputy CEO Retail and Private Banking since May 2016. He is responsible for the Retail and Private Banking department at ABQ. Mr. AlEfrangi has 18 years of experience in retail banking. He has previously held the position of head of branches at ABQ. He holds a bachelor's degree in Banking and Finance from Applied Science University, Amman.

*Mr. Mohammed Al Namla, Deputy CEO Business Support and Services*

Mr. Al Namla joined ABQ in September 2016, and he is responsible for ABQ's Projects, Property, Administration and Services. Mr. Al Namla has more than 20 years of experience in the banking sector. He has previously acted as Assistant General Manager in Qatar National Bank QSC and has held the position of Group Financial and Regulatory Reporting in Group Financial Control Division. He holds a bachelor's degree in Accounting from Qatar University.

*Mohamed Aof, Head of Legal*

Mr. Aof has worked for ABQ since 2001 as the Head of Legal. He is currently responsible for overseeing and managing ABQ's legal matters and has over 24 years of experience in the legal industry. He has previously held the positions of Legal Consultant at the Alexandria Kuwait International Bank and Senior Manager at Egypt Commercial Bank. He holds a bachelor's degree in law from the University of Ain Shams in Cairo, Egypt. Mr. Aof is a qualified lawyer registered with the Egypt Bar Association.

*Saad Al-Kaabi, Head of Human Resources*

Mr. Al-Kaabi has worked for ABQ since January 1995 and currently holds the position of the Head of Human Resources ("HR") at ABQ. He is responsible for overseeing the development and implementation of HR strategies (to ensure effective delivery of HR programs and services across ABQ) and has over 21 years of experience in banking industry. He was previously in ABQ's Retail Banking division and has also served in ABQ in various other capacities. Mr. Al-Kaabi holds a master's degree in banking.

*Trevor Bailey, Head of International Banking*

Mr. Bailey has worked for ABQ since May 2013 as the Head of International Banking. He is responsible for the cross-border activities of ABQ as well as for co-ordinating relationships and funding programmes for ABQ. He has over 30 years of experience in banking industry. He has previously held the positions of International Commercial Director for HSBC, Chief Business Development Officer for Aamal Company (part of Al Faisal Holding) (Qatar), Deputy General Manager and Head of Corporate Finance at Mizuho Bank, Senior Relationship Manager at Hill Samuel Merchant Bank, Account Officer at the Bank of Nova Scotia and assistant manager at Lloyds Bank. Mr. Bailey has successfully completed the Chartered Institute of Bankers prescribed examinations and practical experience for election as an Associate of the Chartered Institute of Bankers (England and Wales).

*Karim Salem, Acting Chief Risk Officer*

Mr. Salem has worked for ABQ since 2007 and has been Acting CRO since October 2016. He previously held the position of Head of Credit Risk and is currently responsible for the Risk Management Department. Mr. Salem has 22 years of experience in banking and financial institutions. He has previously worked for Arab African International Bank – Egypt, as Corporate Credit Manager. He holds a bachelor's degree in Accounting from Cairo University and a Master of Business Administration from Arab Academy for Science Technology, Egypt.

*Mr. Stuart Davies, Acting – Head of Treasury and Investments*

Mr. Davies has worked for ABQ since 2010 and has been Acting Head of Treasury and Investments since the beginning of this year, previously holding the position of Chief Dealer. Mr. Davies has 26 years of experience within the Treasury Department of several banks in both London and the Gulf region. He has previously worked for NatWest Bank and Toronto Dominion Bank in London, and has spent over 16 years in the Middle East in Saudi Arabia, Kuwait, UAE and Qatar.

*Johny AlKhoury, General Counsel and Board Secretary*

Mr. AlKhoury has worked for ABQ since December 2015 as General Counsel and Board Secretary. He is responsible for all Board and Board committees related matters as well as for the governance of ABQ and general counselling on the strategic initiatives of ABQ. He has over 16 years of experience as a lawyer, a board secretary and in matters related to corporate governance. He has previously worked as a lawyer in Lebanon at various prestigious law firms, as a senior lawyer with Doha Bank and as the Head of Legal for the Gulf Region at Metlife Alico. In 2011, he joined Qatar First Bank as the lead lawyer to support the principal investment teams and assumed the responsibility of Board Secretary. He holds a bachelor's degree in law from the Lebanese University in Beirut, Lebanon. Mr. AlKhoury is a qualified lawyer registered with the Beirut Bar Association in Lebanon.

*Zakaria Abedraboh, Head of Compliance*

Mr. Abedraboh has worked for ABQ since 1991 and has been the Head of Compliance since April 2005. He also acts as ABQ's Money Laundering Reporting Officer and is responsible for ABQ's compliance with laws, regulations and standards. He has over 10 years of experience in compliance. He has previously held positions in ABQ's customer services, remittance, deposits, credit and shareholders sections and has previously acted as the Senior Auditor, Compliance Officer and Secretary to the Audit Committee within ABQ. He holds a bachelor's degree in science from Yarmouk University in Irbid, Jordan.

*Maher Barakat, Head of Internal Audit*

Mr. Barakat has worked for ABQ since January 2015 as the Head of Internal Audit. He is responsible for managing the internal audit department and has over 15 years of experience in auditing multinational financial institutions. He has previously held the positions of Director and Manager with Grant Thornton and Deloitte & Touche (Middle East and United States of America). He is a Certified Public Accountant and holds a master's degree in business administration and accounting from Canisius College in Buffalo, New York (United States).

*Mr. Abdullah Salman Al Mohameed, Executive Director of Project Management and Real Estate*

Mr. Al Mohameed has worked for ABQ since November 1998 and has been the Executive Manager of Project Management and Real Estate since 2014. He is responsible for the management and control of ABQ's projects and property. Mr. Al Mohameed has 40 years of experience in project management and property industries. He has previously acted as the Manager of the Administration and Finance Department of ABQ and has held the positions of Assistant Undersecretary with the Ministry of Financial and Administrative Affairs. He holds a bachelor's degree in business management from Cairo University in Giza, Egypt.

## **Management Committees**

Day-to-day risk management is overseen by the following management committees: the Asset Liability Committee, the Investment Committee, the Credit Committee, the Operations Risk Committee, the IT Steering Committee, the Special Assets Committee and the Management Committee (see further "*Risk Management—Committees—Board Committees*").

## **Employees**

As at 31 December 2016, ABQ employed 437 members of staff compared to 438 as at 31 December 2015 and 418 as at 31 December 2014.

ABQ is committed to the training and development of its employees and has designed and implemented a number of training and development programmes. ABQ offers in-house training programmes as well as local and overseas programmes, focused on banking, anti-money laundering, KYC, sales strategies and techniques, relationship building, customer service and product knowledge.

In 2016, these training programmes were attended by nearly 400 employees of ABQ. In 2016, ABQ continued with its successful online training platform which currently supports online anti-money laundering training (which includes training on combating the financing of terrorism and commercial

fraud and anti-corruption/anti-bribery) and information security training programmes. Furthermore, ABQ is in the process of implementing the "Compliance Red Flag Training" which will be introduced this year.

Each of the aforementioned training programmes are focused on developing ABQ's employees, with a specific focus on developing Qatari talent in line with the Qatar National Vision. In this regard, ABQ is guided in its human resources decisions by the Qatari government's recommended policy that 20.0 per cent of its total personnel should consist of Qatari nationals and, in addition, certain management positions in Qatari companies are required under Qatari law to be filled by Qatari nationals. ABQ's current "Qatarisation" level is around 22 per cent. and ABQ is continuously working to recruit, retain and develop Qatari staff and scholarship students. HR has undergone a successful audit by the QCB that reviewed all aspects of HR to ensure that ABQ is meeting its legal requirements under the Labour Law and QCB regulations, to ensure the quality, compliance and effectiveness of ABQ's human capital.

In 2016, ABQ recognised 73 long-serving employees for their outstanding commitment to ABQ over their years of service. ABQ has a succession planning policy and process for all senior management and key staff positions, together with a remuneration policy that is part of ABQ's corporate governance policies.

## FINANCIAL REVIEW

*The following discussion and analysis should be read in conjunction with the information set out in "Presentation of Financial and other Information", "Selected Financial Information" and the Financial Statements.*

*The discussion of the Group's financial condition and results of operations is based upon the Financial Statements which have been prepared in accordance with IFRS and applicable provisions of the QCB regulations and Qatar Commercial Companies Law. This discussion contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Base Prospectus, particularly under the headings "Forward-looking Statements" and "Risk Factors".*

*See "Presentation of Financial and other Information" for a discussion of the source of the numbers presented in this section and certain other relevant information.*

### Overview

ABQ commenced business in August 1984. It currently provides a range of corporate, retail and private banking services to customers in Qatar, and conducts treasury operations from Qatar. ABQ's principal activities comprise the provision of loans and advances and other financing facilities, which generate interest income and fee and commission income, and investment activities, which principally relate to its portfolio of fixed income securities and which generate interest income and revaluation and trading gains or losses. The Group also offers its customer's brokerage services through its wholly owned subsidiary, Ahli Brokerage Company LLC (for financial reporting purposes, ABQ and Ahli Brokerage Company LLC together comprise the Group). ABQ's principal source of funding is its customer deposits.

ABQ's principal focus is on strengthening existing relationships with its corporate, government and government related, and premium and private high net worth clients as well as achieving sustainable growth in its core corporate, retail and private banking businesses by the introduction of new products and services to meet the evolving needs of customers. ABQ will maintain its principal focus on the domestic market of Qatar. In this regard, ABQ continues to position itself appropriately to benefit from the significant infrastructure development programme which continues in Qatar as part of the Qatar National Vision 2030 and the 2022 World Cup.

As at 31 December 2016, the Group had total loans and advances to customers of QAR 26.9 billion, total investment securities of QAR 5.6 billion and total customer deposits of QAR 25.0 billion, compared to total loans and advances to customers of QAR 24.0 billion, total investment securities of QAR 4.9 billion and total customer deposits of QAR 20.4 billion as at 31 December 2015. For the year ended 31 December 2016, the Group recorded net operating income of QAR 958.7 million and profit for the year of QAR 631.7 million. In 2015, the Group's net operating income was QAR 995.9 million and its profit for the year was QAR 647.7 million.

### Principal factors affecting results of operations

The following is a discussion of the principal factors that have affected, or are expected to affect, the Group's results of operations.

### Economic conditions

The Group's revenue and results of operations are affected by economic and market conditions in Qatar and, to a lesser extent, the broader GCC region and around the world. Based on IMF data extracted from the October 2016 World Economic Outlook Database, Qatar's real GDP grew by 4.6 per cent in 2013 and by 4.6 per cent in 2014. Qatar's GDP grew by 4.1 per cent in 2014 according to preliminary data available from the QCB's September 2015 Quarterly Statistical Bulletin, however, in light of the recent downturn in global financial markets and the difficult macro-economic environment (including the severe drop in oil prices), Qatar revised its projected annual real GDP growth rate for 2015 downwards to 3.7 per cent.

Historically, Qatar has benefitted from high oil and natural gas prices, with expansionary government spending providing an additional stimulus. Reflecting the Qatari government's shift of focus to economic diversification and growth in the non-hydrocarbon sectors through targeted infrastructure investments,

overall GDP growth rates have been relatively constrained since 2012 as a result of declining growth in the hydrocarbon sector in response to the government's moratorium on increasing liquefied natural gas ("LNG") capacity prior to 2015. Growth in the non-hydrocarbon sector has been robust and is centred on the construction, transport and communications, trade and hotels, and services sectors. Average consumer price inflation in Qatar was 3.1 per cent. in 2013 and increased to 3.4 per cent. in 2014, dropping to 1.8 per cent. in 2015. The IMF expects average consumer price inflation to be 2.4 per cent. in 2016 and 2.7 per cent. in 2017. The Government has projected consumer price inflation for 2015 to be 2.0 per cent. and has further projected consumer price inflation for the 2016 and 2017 fiscal years to be 3.4 per cent. and 3.6 per cent., respectively.

According to the IMF, real GDP growth in Qatar is expected to slow as public investment growth slows in light of lower hydrocarbon prices while private sector investment is expected to offset only some of this decline in growth. The IMF expects that lower than expected hydrocarbon prices, rising unconventional oil supplies and, over the long-term, growing competition in the liquid natural gas market, are likely to affect Qatar's fiscal and external sectors. In light of these factors and the difficult macro-economic environment in general, the Government announced a projected budget deficit in 2016 of approximately QAR 46.5 billion (U.S.\$12.8 billion) and approximately QAR 24.8 billion (U.S.\$7.8 billion) for 2017.

Economic growth in Qatar in the next few years is therefore expected to be focused on the non-hydrocarbon sector. Although prevailing low hydrocarbon prices could prompt the Government to reduce certain infrastructure spending into the future, the IMF still projects real GDP growth of 2.6 per cent. in 2016. Over the longer term, Government spending is expected to continue to be expansionary particularly in certain sectors, such as health, education, infrastructure and transport, with particular focus on railways, ports, roads and other infrastructure projects tied to the Qatar National Vision 2030 and the 2022 World Cup. Indeed, a core part of the Group's strategy is to build a strong corporate banking franchise including targeting strategic Qatari-government sponsored infrastructure projects and the companies and contractors involved in them.

#### ***Factors affecting net interest income***

The Group's net interest income is a major contributor to its total net operating income amounting to QAR 735.1 million in 2016, QAR 761.8 million in 2015 and QAR 751.5 million in 2014 and comprising 76.7 per cent. of net operating income for the year ended 31 December 2016, 76.5 per cent. of net operating income for the year ended 31 December 2015 and 80.5 per cent of net operating income for the year ended 31 December 2014.

Within net interest income:

- interest earned on loans and advances to customers and interest earned on fixed income securities are the major contributors to total interest income, together comprising 98.3 per cent. of total interest income in 2016, 98.2 per cent. in 2015 and 98.5 per cent. in 2014; and
- interest paid on customer deposits is the major contributor to total interest expense, comprising 71.9 per cent. of total interest expense in 2016, 79.9 per cent. in 2015 and 86.8 per cent. in 2014.

The Group's net interest income is affected by a number of factors. It is primarily determined by the volume of interest-earning assets relative to interest-bearing liabilities, as well as the differential between rates earned on interest-earning assets and interest-bearing liabilities. The Group's interest-earning assets principally consist of its customer loan portfolio and the fixed income securities held by it. The Group's interest-bearing liabilities principally comprise its interest bearing customer deposits and, to a lesser extent, interbank borrowings.

The change in the Group's net interest income in the periods under review have principally been driven by changes in the mix between loans and advances to customers and investments made by the Group in Government debt securities such as bonds and treasury bills, as well as in the rate of returns on loans and advances which have been affected by competition. Increasing competition has also affected the Group's net interest margin as well as increasing interest expenses arising from the Group's borrowings. ABQ's net interest margin (net interest income as a percentage of total average interest-earning assets, calculated on the basis of balances at the start and end of each period) decreased from 2.71 per cent. in 2014 to 2.42 per cent. in 2015 and to 2.07 per cent. in 2016.

Since a certain proportion of the Group's fixed income debt securities portfolio is hedged for interest rate movements using interest rate derivatives, the impact of interest rate changes on the investment securities is offset to some extent by profits and losses on these derivatives. Any gains or losses arising in the fair value of ABQ's hedging instruments designated as fair value hedges are taken directly to the consolidated income statement for the period and included in "net interest income". Similarly, any gains or losses arising in the fair value of ABQ's hedging instruments designated as cash flow hedges are taken to the statement of changes in equity and included as "other comprehensive income".

#### ***Changes in factors affecting the fair valuation of the Group's investment securities***

The Group has a significant portfolio of investment securities, principally fixed rate available-for-sale debt securities, which, at 31 December 2016 amounted to QAR 5.6 billion compared to QAR 4.8 billion at 31 December 2015 and QAR 4.9 billion at 31 December 2014. The weighted average credit rating of these assets was AA- at 31 December 2016.

The investment securities (other than any held to maturity) generate gains or losses when they are sold and fair value gains and losses when they are re-valued at each balance sheet date. In the year ended 31 December 2016, the net gains realised on the sale of available-for-sale investment securities were QAR 24 million. In 2015 and 2014, the net gains realised on the sale of available-for-sale investment securities were QAR 32.5 million and QAR 15.7 million, respectively. Net gains or losses realised on sales of investment securities may vary significantly from period to period and will depend on the volumes of securities sold as well as the prices realised relative to the amortised cost of the securities at the time they are sold.

The unrealised gains and losses arise when the investment securities are fair valued at each balance sheet date. Reflecting the composition of the Group's investment securities portfolio and save to the extent that hedge accounting is applied and is effective in any period, a significant proportion of these unrealised gains and losses are recorded in comprehensive income. As mentioned above, the Group uses derivative products, such as interest rate swaps, to manage the portfolio's exposure to interest rate movements. Where hedge accounting is applied and is effective in relation to these derivative products, only part of the unrealised gains and losses of the relevant securities are recorded in comprehensive income; the balance is offset against swap gains and losses in the income statement.

For the year ended 31 December 2016, the net unrealised losses on available-for-sale investment securities recorded in comprehensive income were QAR 23.5 million. In 2015, the net unrealised gains on available-for-sale investment securities recorded in comprehensive income were QAR 14.5 million and in 2014, the net unrealised losses on available-for-sale investment securities recorded in comprehensive income were QAR 21.5 million. Net unrealised gains or losses on investment securities may also vary significantly from period to period and, reflecting the predominance of fixed rate debt securities in the portfolio, will depend in particular on changes in interest rates, with falling interest rates tending to increase the fair value of the portfolio and increasing interest rates tending to reduce the fair value of the portfolio.

In circumstances where there is a prolonged and significant deterioration in the fair value of any of the Group's investment securities (such matters to be determined in accordance with IFRS and QCB guidelines), the Group's fixed income investment securities are tested for impairment. This could result from a significant deterioration (20 per cent. or greater) in the value of the investment security or from a sustained adverse movement (nine months or longer) in interest or currency exchange rates or equity prices/markets or from other factors. In such a case, the Group will incur impairment losses which will reduce its net profit. For example, in 2016, the Group recorded an impairment charge of QAR 43.5 million, equal to 0.8 per cent. of the gross value of its investment securities at 31 December 2016. In 2015, the Group recorded an impairment charge of QAR 45.3 million, equal to 0.9 per cent. of the gross value of its investment securities.

#### **Recent Developments**

At its board meeting held on 22 January 2017, ABQ's board proposed a bonus issue to existing shareholders of one new share for every 20 shares held and a cash dividend of QAR 1 per share. The total issued share capital of ABQ following the bonus issue is QAR 2,003,432,707 divided into 200,343,271 ordinary shares with a nominal value of QAR 10 each.

## Basis of preparation and significant accounting policies

The Financial Statements have been prepared in accordance with IFRS and applicable provisions of the QCB regulations and Qatar Commercial Companies Law. For a discussion of the accounting policies applied by the Group generally, see Note 3 to the Financial Statements.

## Critical accounting judgments and key sources of estimation uncertainty

In preparing the Group's financial statements, management is required to make certain estimates, judgments and assumptions. These affect the reported amounts of the Group's assets and liabilities, including disclosure of contingent assets and liabilities, at the date of the financial statements as well as the reported amounts of its revenues and expenses during the periods presented. Management bases its estimates and assumptions on historical experience and other factors that it believes to be reasonable at the time the estimates and assumptions are made and evaluates the estimates and assumptions on an ongoing basis. However, future events and their effects cannot be predicted with certainty and the determination of appropriate estimates and assumptions requires the use of judgment. Actual outcomes may differ from any estimates or assumptions made and such differences may be material to the financial statements. The Group's key sources of estimation uncertainty relate to its going concern assessment, its impairment losses on loans, advances and financing activities to customers, its impairment of investments and its fair value determinations. The Group's critical accounting judgments relate to its valuation of financial instruments, its classification of financial assets and liabilities, its qualifying hedge relationships, its impairment of investments and its determinations of the useful lives of property and equipment. See Note 5 to the Financial Statements for a more detailed discussion of these accounting estimates and judgments.

## Results of operations

### Comparison of the years ended 31 December 2014, 2015 and 2016

#### Net interest income

Interest income is the Group's principal source of income. The Group earns interest income on the loans and advances to customers made by it, on its portfolio of fixed income investment securities and on its deposits with central banks and other banks. The Group incurs interest expense on its customer deposits, its inter-bank funding and deposits held with the QCB. Interest income and expense is recognised in the income statement using the effective interest method, as explained in Note 3(o) to the Financial Statements.

#### Net interest income

The table below shows a breakdown of the Group's net interest income in each of 2014, 2015 and 2016.

	For the year ended 31 December					
	2014		2015		2016	
	(QAR '000)	(% of total)	(QAR '000)	(% of total)	(QAR '000)	(% of total)
<b>Interest Income</b>						
Balances with QCB .....	7,568	0.74	6,215	0.56	6,624	0.52
Due from Banks .....	8,238	0.81	13,538	1.21	14,930	1.16
Debt securities .....	173,101	16.96	175,633	15.69	180,041	14.04
Loans and advances to customers .....	831,852	81.49	924,170	82.54	1,080,832	84.28
<b>Total .....</b>	<b>1,020,759</b>	<b>100.0</b>	<b>1,119,556</b>	<b>100.0</b>	<b>1,282,427</b>	<b>100.0</b>
<b>Interest Expense</b>						
Balances with QCB .....	613	0.23	1,280	0.36	132	0.02
Due to banks .....	35,021	13.0	36,594	10.23	58,394	10.67
Customer deposits .....	233,652	86.77	285,853	79.91	393,609	71.91
Others .....	-	-	33,996	9.50	95,224	17.40
<b>Total .....</b>	<b>269,286</b>	<b>100.0</b>	<b>357,723</b>	<b>100.0</b>	<b>547,359</b>	<b>100.0</b>
<b>Net interest income .....</b>	<b>751,473</b>		<b>761,833</b>		<b>735,068</b>	

### *Interest income*

The Group's total interest income for 2016 amounted to QAR 1,282.4 million compared to QAR 1,119.6 million for 2015 and QAR 1,020.8 million for 2014.

The increase of QAR 162.9 million, or 14.5 per cent., in 2016 compared to 2015 principally reflects:

- a QAR 156.7 million, or 17.0 per cent., increase in interest income from loans and advances to customers as a result of higher average loan balances during 2016 over 2015;
- a QAR 1.4 million, or 10.3 per cent., increase in interest income from placements with other banks due to a year over year increase in the yield of interbank placements and an increase in the average balances of interbank placements;
- a QAR 4.4 million, or 2.5 per cent., increase in interest income from debt securities representing higher averages balances in ABQ's bond portfolio; and
- a QAR 0.4 million, or 6.6 per cent., increase in interest income from the Group's deposits held with the QCB which was a result of higher QCB placements in 2016 over 2015.

The increase of QAR 98.8 million, or 9.7 per cent., in 2015 compared to 2014 principally reflects:

- a QAR 92.3 million, or 11.1 per cent., increase in interest income from loans and advances to customers as a result of higher lending volumes particularly to ABQ's commercial banking customers;
- a QAR 5.3 million, or 64.3 per cent., increase in interest income from placements with other banks due to a year over year increase in the yield of interbank placements and an increase in the average balances of interbank placements; and
- a QAR 2.5 million, or 1.5 per cent., increase in interest income from debt securities representing the increase in average balances of the Group's investment securities during 2016 when compared with 2015.

These increases were partly offset by a QAR 1.4 million, or 17.9 per cent., reduction in interest income from the Group's deposits held with the QCB which was a result of the rechanneling of funds away from central bank deposits and towards interbank placements.

### *Interest expense*

The Group's total interest expense for 2016 amounted to QAR 547.4 million, compared to QAR 357.7 million for 2015 and QAR 269.3 million for 2014.

The increase of QAR 189.6 million, or 53 per cent., in 2016 compared to 2015 principally reflects:

- a QAR 107.8 million, or 37.7 per cent., increase in interest expense on customer deposits primarily as a result of higher costs of funds and increased volumes of deposits resulting in a higher customer deposit base for the period; and
- a QAR 21.8 million, or 59.6 per cent., increase in interest expense on increased borrowing from other banks due to elevated inter-bank rates during the year.

The increase of QAR 88.4 million, or 32.8 per cent., in 2015 compared to 2014 principally reflects:

- a QAR 52.2 million, or 22.3 per cent., increase in interest expense on customer deposits primarily as a result of higher costs of funds and increased volumes of deposits resulting in a higher customer deposit base for the period; and
- a QAR 35.6 million, or 101.6 per cent., increase in interest expense on increased borrowing from other banks due to increased medium term funding.

The Group's net interest income in 2016 amounted to QAR 735.1 million, a decrease of QAR 26.7 million, or 3.4 per cent., from the QAR 761.8 million net interest income recorded in 2015. The Group's net interest income in 2015 amounted to QAR 761.8 million, an increase of QAR10.4 million, or 1.4 per cent., from the QAR 751.5 million net interest income recorded in 2014.

The Group's net interest margin was 2.07 per cent. in 2016, compared to 2.42 per cent. in 2015 and 2.71 per cent. in 2014, reflecting the increased cost of funding for the periods under review. The reduction in interest margins has been seen across the banking sector in Qatar.

#### *Fee and commission income*

The Group earns fees and commissions on the customer loans advanced by it, on other credit facilities (such as commitments to lend made by it and letters of credit and guarantees issued by it) and on other bank services provided by it, including account, transaction and service fees, sales commission, syndication fees and brokerage fees.

The table below shows a breakdown of the Group's fee and commission income in each of 2014, 2015 and 2016.

	For the year ended 31 December					
	2014		2015		2016	
	(QAR '000)	(% of total)	(QAR '000)	(% of total)	(QAR '000)	(% of total)
<b>Fee and commission income</b>						
Credit related fees .....	79,936	57.35	82,249	52.50	87,370	51.76
Brokerage fees .....	5,620	4.03	7,880	5.03	7,262	4.30
Banking services .....	6,199	4.45	7,528	4.80	2,437	1.45
Commission on unfunded facilities .....	41,702	29.92	56,343	35.96	65,149	38.60
Other .....	5,918	4.25	2,677	1.71	6,571	3.89
<b>Total fee and commission income .....</b>	<b>139,375</b>	<b>100.0</b>	<b>156,677</b>	<b>100.0</b>	<b>168,789</b>	<b>100.0</b>

The Group's total fee and commission income for 2016 amounted to QAR 168.8 million, compared to QAR 156.7 million for 2015 and QAR 139.3 million for 2014, representing year on year increases in total fee and commission income of 7.7 per cent and 12.4 per cent, respectively.

The increase of QAR 12.1 million or 7.7 per cent., in 2016 compared to 2015 principally reflects:

- a QAR 8.8 million, or 15.6 per cent., increase in commission on unfunded facilities as a result of an increase in the volume of guarantees and letters of credit entered into with the Group's customers; and
- a QAR 5.1 million, or 6.2 per cent., increase in credit related fees resulting from the increase in the Group's customer loan book and the fees associated with the management of its loan portfolio.

The increase of QAR 17.3 million or 12.3 per cent., in 2015 compared to 2014 principally reflects:

- a QAR 14.6 million, or 35.1 per cent., increase in commission on unfunded facilities as a result of an increase in the volume of guarantees and letters of credit entered into with the Group's customers;
- a QAR 2.3 million, or 2.9 per cent., increase in credit related fees resulting from the increase in the Group's customer loan book and the fees associated with the management of its loan portfolio; and
- a QAR 2.3 million, or 40.2 per cent., increase in brokerage fees as a result of higher volume of brokerage transactions and the Group acquiring new clients and improving its market share in the brokerage business during the period, as well as general growth in the Qatar Stock Exchange Index.

### *Income from investment securities*

The Group maintains a significant portfolio of investment securities, principally comprising fixed income securities held on an available-for-sale-basis. Interest income derived from these securities is recorded in the income statement under "interest income". However, the Group also realises gains or losses on the sale of these securities which are recognised under this heading in the income statement at the time of sale. In addition, in accordance with IFRS, the bulk of the Group's investment securities are fair valued at each balance sheet date. Where the securities are held at fair value through profit and loss the changes in fair value are recorded as income or loss in the income statement. Where the securities are held as available-for-sale the changes in fair value are recorded in other comprehensive income until the securities are sold, at which point the cumulative fair value gain or loss is transferred to the income statement. The Group also records, as income from investment securities, dividend income on its small portfolio of equity securities.

The table below shows a breakdown of the Group's income from investment securities in each of 2014, 2015 and 2016

	For the year ended 31 December		
	2014	2015	2016
	(QAR '000)		
Net gains on sale of available-for-sale financial assets.....	15,690	32,541	24,006
Dividend income.....	3,318	13,070	7,167
<b>Total income from investment securities .....</b>	<b>19,008</b>	<b>45,611</b>	<b>31,173</b>

The Group's total income from investment securities for 2016 amounted to QAR 31.2 million, compared to QAR 45.6 million for 2015 and QAR 19.0 million for 2014.

The decrease of QAR 14.4 million or 31.7 per cent., in 2016 compared to 2015 principally reflects:

- A QAR 8.5 million, or 26.2 per cent., decrease in net gains from the sale of investment securities. This principally reflects the volatile market environment for securities trading on the Qatar Exchange; and
- A QAR 5.9 million, or 45.2 per cent., decrease in dividend income resulting from lower dividend pay-out by entities listed on the Qatar Exchange on account of declining profitability.

The increase of QAR 26.6 million or 140.0 per cent., in 2015 compared to 2014 principally reflects:

- A QAR 16.9 million, or 107.4 per cent., increase in net gains from the sale of investment securities. This principally reflects realised gains on sales of available-for-sale securities within ABQ's investment portfolio which, during the period, arose from the sale of equity shares and fixed income securities; and
- A QAR 9.8 million, or 293.9 per cent., increase in dividend income resulting from higher receipts of dividends on the equity shares held by the Group.

### *Foreign exchange gain*

The Group's foreign exchange gains or losses are dependent on the foreign exchange transactions entered into by the Group with customers, including trading volumes from underlying customer activity. The Group recorded a net gain on foreign exchange transactions of QAR 17.1 million, QAR 24.9 million and QAR 19.6 million for each of the years ended 31 December 2016, 2015 and 2014, respectively.

### *Net operating income*

Reflecting the above factors, the Group's net operating income for the year ended 31 December 2016 was QAR 958.7 million, compared to QAR 995.9 million for the year ended 31 December 2015 and QAR 933.9 million for the year ended 31 December 2014, representing a year-on-year increase in net operating income of 6.6 per cent. in 2015 and a decrease of 3.7 per cent. in 2016.

### *Staff costs*

The Group's staff costs amounted to QAR 172.7 million in 2016, compared to QAR 173.8 million in 2015 and QAR 157.9 million in 2014, representing a decrease of QAR 1.1 million, or 0.7 per cent., in 2016 and an increase of QAR 15.9 million, or 10.1 per cent., in 2015.

### *Depreciation*

The Group incurs depreciation costs principally on land and buildings, leasehold improvements and furniture and equipment (including computer equipment and software) owned by the Group. Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Buildings are depreciated on a straight-line basis over 20 years, leasehold improvements are depreciated on a straight-line basis over five years and furniture and equipment is depreciated on a straight-line basis over its estimated useful life, which ranges between three and five years depending on the asset.

The Group's depreciation costs amounted to QAR 27.9 million in 2016, compared to QAR 22.6 million in 2015 and QAR 18.6 million in 2014. The increase of QAR 5.3 million, or 23.3 per cent., during 2016 principally reflects capitalisation of additional re-branded branches and capitalisation of fixed assets in 2015, taking full year effect in 2016. The increase of QAR 4.0 million, or 21.5 per cent., during 2015 principally reflects increased depreciation due to capitalisation of new systems such as the Group's Lending Management Solution, Enterprise Data Warehouse, computer hardware purchases as well as other infrastructure associated with the Group's rebranding and upgrading of its branch network and related costs.

### *Impairment charges*

At each reporting date, the Group assesses its financial assets (other than financial assets held at fair value through profit and loss) for objective evidence of impairment. In particular:

- all individually significant loans and advances to customers and held to maturity investments are assessed for specific impairment and, if found not to be impaired, are then collectively assessed for any impairment that has been incurred but not yet identified;
- impairment losses on assets carried at amortised cost (including the Group's customer loan portfolio and held to maturity investment securities) are measured as the difference between the carrying amount of the relevant asset and the present value of the estimated future cash flows from it, discounted at the asset's original effective interest rate; and
- 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 and loss as a reclassification adjustment.

For further information, see Note 3(c)(vi) to the Financial Statements.

The table below shows details of the Group's impairment losses in each of 2014, 2015 and 2016.

	For the year ended 31 December		
	2014	2015	2016
	(QAR '000)		
Net recoveries/ (impairment loss) on loans and advances to customers	(40,038)	(15,428)	10,819
Impairment loss on investment securities.....	(9,564)	(45,297)	(43,531)
<b>Total net impairment loss.....</b>	<b>(49,602)</b>	<b>(60,725)</b>	<b>(32,712)</b>

The Group's total net impairment loss amounted to QAR 32.7 million in 2016, compared to QAR 60.7 million in 2015 and QAR 49.6 million in 2014.

The decrease of QAR 28,013 thousands, or 46.1 per cent., during 2016 reflects an increase in recoveries of loan losses in 2016.

The increase of QAR 11.1 million, or 22.4 per cent., during 2015 reflects a QAR 35.7 million, or 373.6 per cent., increase in impairment loss on investment securities as a result of a fall in equity prices due to difficult market conditions, including weak energy markets arising from the fall in oil and gas prices since the middle of 2014. The increase in impairment loss on investment securities was partly offset by a QAR 24.6 million, or 61.5 per cent., decrease in net impairment loss on loans and advances to customers due to recoveries of QAR 64.1 million in previously created impairments, particularly in respect of the Group's retail loan portfolio.

#### *Other expenses*

The Group's other expenses include marketing and advertising, professional fees, communication and insurance, remuneration of the Board, occupancy and maintenance, computer and IT, printing and stationary and other costs involved in the Group's business activities.

The Group's total other expenses were QAR 93.7 million in 2016 and QAR 92.5 million in 2015. The increase of QAR 1.2 million or 1.2 per cent., during 2016 principally reflects an increase of QAR 2.4 million in other costs, which includes marketing and advertising costs. In 2016, the Group implemented prudent cost control measures which reduced the overall cost base of the Group in 2016. These cost reductions were partly offset by marginal increases in professional fees, occupancy and maintenance costs and computer and IT costs which increased during the period as a result of higher IT maintenance costs, costs associated with increased audit requirements and other general price increases.

The Group's total other expenses were QAR 92.5 million in 2015, compared to QAR 103.6 million in 2014 and QAR 103.6 million in 2014. The reduction of QAR 11.1 million or 10.7 per cent., during 2015 principally reflects a decrease of QAR 9.3 million in marketing and advertising costs. This decrease was primarily due to the Group's rebranding exercise and related advertising and printing costs in 2014. In 2015, the Group implemented prudent cost control measures which reduced the overall cost base of the Group in 2015. These cost reductions were partly offset by marginal increases in professional fees, occupancy and maintenance costs and computer and IT costs which increased during the period as a result of higher IT maintenance costs, costs associated with increased audit requirements and other general price increases.

#### *Profit for the year*

Reflecting the above factors, the Group's profit for the year was QAR 631.7 million in 2016, compared to QAR 647.7 million in 2015 and QAR 601.3 million in 2014, a decrease of QAR 16 million, or 2.5 per cent., in 2015 and an increase of QAR 46.4 million, or 7.7 per cent., in 2014.

#### *Other comprehensive income for the year*

The Group's other comprehensive income comprises the net effect of realised and unrealised changes in the fair value of the Group's available-for-sale financial assets. Fair value changes in an available-for-sale financial asset are recorded in other comprehensive income until the security is sold or impaired, where the cumulative gains and losses recognised in respect of the derecognised investment are reclassified to the income statement.

In 2016, the Group recorded negative other comprehensive income of QAR 23.5 million compared to negative other comprehensive income of QAR 14.5 million in 2015 and negative other comprehensive income of QAR 21.5 million in 2014. The significant decrease in other comprehensive income in 2016 compared to 2015 resulted from a reduction in the fair value of the Group's investment securities during the period. The increase in 2015 compared to 2014 was mainly due to positive fair value increases on available-for-sale investments of the Group in 2015 compared to 2014.

#### *Total comprehensive income for the year*

Reflecting the above factors and the Group's profit for the year, the Group's total comprehensive income was QAR 608.2 million in 2016, compared to QAR 633.2 million in 2015 and QAR 622.8 million in 2014, representing a decrease of QAR 25 million, or 4 per cent., in 2016 and an increase of QAR 10.4 million, or 1.7 per cent., in 2015.

## Segmental analysis

The Group's income generating reporting segments comprise:

- **Retail and private banking and wealth management (herein referred to as "retail banking")** – which includes the Group's individual customer deposits and current accounts, consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. The Group's high net worth customers are serviced through the Group's premium, private banking and wealth management businesses which offer a range of investment products, credit facilities and alternative investments.
- **Corporate banking, treasury, investments and brokerage subsidiary (herein referred to as "wholesale banking")** – which includes the loans and other credit facilities and deposit and current accounts of the Group's corporate and institutional customers and the provision of money market, trading and treasury services as well as management of the Group's funding and investments. The Group's brokerage services are offered through ABQ's wholly owned subsidiary, Ahli Brokerage Company LLC

The table below shows the contribution of each of the Group's reporting segments to consolidated net operating income as well as its contribution to consolidated net profit, which is the measure used by management to measure the performance of each reporting segment, in each of the years ended 31 December 2014, 2015 and 2016.

For the year ended 31 December 2016			
	Retail and private banking and wealth management	Corporate banking, treasury, investments and brokerage	Total
	(QAR '000)		
Net interest income .....	186,358	548,710	735,068
Net fee and commission income.....	52,458	116,331	168,789
Foreign exchange gain.....	12,436	4,634	17,070
Income from investment securities .....	-	31,173	31,173
Other operating income .....	-	6,560	6,560
<b>Net operating income .....</b>	<b>251,252</b>	<b>707,408</b>	<b>958,660</b>
<b>Reportable segment profit.....</b>	<b>102,277</b>	<b>529,471</b>	<b>631,748</b>
For the year ended 31 December 2015			
	Retail and private banking and wealth management	Corporate banking, treasury, investments and brokerage	Total
	(QAR '000)		
Net interest income .....	205,808	556,025	761,833
Net fee and commission income.....	48,817	107,701	156,518
Foreign exchange gain.....	12,790	12,313	25,103
Income from investment securities .....	—	45,611	45,611
Other operating income .....	—	6,795	6,795
<b>Net operating income .....</b>	<b>267,415</b>	<b>728,445</b>	<b>995,860</b>
<b>Reportable segment profit.....</b>	<b>109,223</b>	<b>538,497</b>	<b>647,720</b>

**For the year ended 31 December 2014**

	<b>Retail and private banking and wealth management</b>	<b>Corporate banking, treasury, investments and brokerage</b>	<b>Total</b>
	(QAR '000)		
Net interest income .....	194,790	556,683	751,473
Net fee and commission income.....	47,407	91,968	139,375
Foreign exchange gain.....	10,098	9,524	19,622
Income from investment securities .....	—	19,008	19,008
Other operating income .....	—	4,434	4,434
<b>Net operating income .....</b>	<b>252,295</b>	<b>681,617</b>	<b>933,912</b>
<b>Reportable segment profit.....</b>	<b>103,290</b>	<b>497,983</b>	<b>601,273</b>

*Wholesale banking*

Wholesale banking recorded net operating income of QAR 707.4 million for the year ended 31 December 2016, compared to QAR 728.5 million for the year ended 31 December 2015 and QAR 681.6 million for the year ended 31 December 2014.

The QAR 21 million, or 2.9 per cent., decrease in 2016 compared to 2015 was driven by a QAR 14.4 million, or 31.7 per cent., decrease in income from investment securities. Foreign exchange gain also decreased by QAR 7.7 million, or 62.4 per cent., for the period.

The QAR 46.8 million, or 6.9 per cent., increase in 2015 compared to 2014 was driven by a QAR 15.7 million, or 17.1 per cent., increase in net fee and commission income generated from fees associated with new loans and fee income relating to the trade finance activities of the Group, as well as a QAR 26.6 million, or 140.0 per cent., increase in income from investment securities. Foreign exchange gain also increased by QAR 2.8 million, or 29.3 per cent., for the period.

The amount of net profit generated by the wholesale banking segment was QAR 529.5 million in 2016, compared to QAR 538.5 million in 2015 and QAR 498.0 million in 2014, representing a decrease of QAR 9.0 million, or 1.7 per cent., in 2016 and an increase of QAR 40.5 million, or 8.1 per cent., in 2015.

*Retail banking*

Retail banking recorded net operating income of QAR 251.3 million for the year ended 31 December 2016, compared to QAR 267.4 million for the year ended 31 December 2015 and QAR 252.3 million for the year ended 31 December 2014.

The QAR 16.1 million, or 6 per cent., decrease in 2016 compared to 2015 was primarily a result of a QAR 19.5 million, or 9.5 per cent., decrease in net interest income resulting from an increased cost of funding, as well as a QAR 0.2 million, or 1.5 per cent., decrease in foreign exchange gain due to increased market penetration. Net fee and commission income increased by QAR 3.5 million, or 7 per cent., for the period.

The QAR 15.1 million, or 6.0 per cent., increase in 2015 compared to 2014 was primarily a result of a QAR 11.0 million, or 5.7 per cent., increase in interest income resulting from a higher volume of retail loans for the period as well as a QAR 2.7 million, or 26.7 per cent., increase in foreign exchange gain due to increased market penetration. Net fee and commission income also increased by QAR 1.4 million, or 3.0 per cent., for the period.

The amount of net profit generated by the retail banking segment was QAR 102.3 million in 2016, compared to QAR 109.2 million in 2015 and QAR 103.3 million in 2014, representing a decrease of QAR 6.9 million, or 6.4 per cent., in 2016 and an increase of QAR 5.9 million, or 5.7 per cent., in 2015. Notwithstanding the increase in net operating profit in 2015, net profit from the retail segment decreased for this period as a result of higher operating expenses arising from increased staff costs and expenses associated with the Group's rebranding project.

## ***Liquidity and Funding***

### ***Overview***

The Group's liquidity needs arise primarily from making loans and advances to customers, payment of expenses and dividends and investments in securities. To date, the Group's liquidity needs have been funded largely through deposits, repos, unsecured term funding from banks and operating cash flow, including interest received on the Group's loans and advances and its portfolio of fixed income securities. See further "*Funding*".

### ***Liquidity***

The tables below show the Group's cash flow from operating activities, investing activities and financing activities for each of the years ended 31 December 2014, 2015 and 2016.

	Year ended 31 December		
	2014	2015	2016
	(QAR '000)		
Net cash (used in)/from operating activities .....	(371,382)	(2,216,341)	1,607,168
Net cash (used in)/from investing activities .....	7,098	33,198	(804,323)
Net cash (used in)/from financing activities .....	1,476,582	330,488	1,370,132
Cash and cash equivalents as at 1 January .....	2,544,855	3,657,153	1,804,498
Cash and cash equivalents as at 31 December .....	3,657,153	1,804,498	3,977,475

### ***Operating cash flow***

Net cash from operating activities was QAR 1,607.2 million in 2016, compared to QAR 2,216.3 million in 2015 whereas net cash used in operating activities was QAR 371.4 million in 2014. Net cash from operating activities is driven by the Group's net profit for the period with the principal adjustments relating to changes in loans and advances to customers, certificates of deposit, interbank lending and borrowings and customer deposit balances. Net cash from operating activities was higher in 2016 when compared to 2015 primarily due to higher changes in customer deposits and certificates of deposit in 2016 compared to 2015.

### ***Investing cash flow***

Net cash used in investing activities for the year ended 31 December 2016 was QAR 804.3 million, compared to net cash from investing activities of QAR 33.2 million in 2015 and net cash from investing activities of QAR 7.1 million in 2014. In each period, the principal investment activities were acquisitions and sales of investment securities as well as the acquisition of property and equipment. Net cash used in investing activities was lower in 2016 when compared to 2015 primarily as a result of acquisition of additional debt securities. In 2014, the Group's acquisitions of investment securities amounted to QAR 1,714.2 million and proceeds received from the sale of investment securities, amounted to QAR 1,813.9 million.

### ***Financing cash flow***

Net cash from financing activities for the year ended 31 December 2016 was QAR 1,370.1 million, compared to QAR 330.5 million in 2015 and net cash used in financing activities of QAR 1,476.6 million in 2014. In each period, the principal cash flows from financing activities were proceeds from other borrowings and dividends paid by ABQ to its shareholders. No dividend was paid in 2014 compared to 2015 when the Group paid its shareholders a dividend of QAR 247.8 million.

### ***Funding***

The Group's principal source of funding is its customer deposits, which were QAR 25 billion at 31 December 2016. The Group also obtains interbank funding, term loan facilities, certificates of deposit and has access to a pool of unencumbered and liquid securities that it can access to meet liquidity needs, in addition to its cash balances and placements with central banks.

The Group's customer deposits were QAR 25,010.9 million, or 75.1 per cent. of the Group's total liabilities at 31 December 2016, QAR 20,384.1 million, or 73.4 per cent. of its total liabilities at 31

December 2015 and QAR 19,893.1 million, or 73.1 per cent. of its total liabilities as at 31 December 2014. As at 31 December 2016, 21.1 per cent. of the Group customer deposits were from governments and related agencies, principally in Qatar. The equivalent proportions at 31 December 2015 and 2014 were 31.7 per cent. and 27.8 per cent., respectively. See further "*Risk factors — ABQ's investment securities and customer loan portfolios and deposit base are concentrated in Qatar and ABQ has significant individual customer concentrations*"

The Group's interbank funding amounted to QAR 1,276.2 million, or 3.8 per cent., of its total liabilities at 31 December 2016, QAR 2,638.3 million, or 9.5 per cent., of its total liabilities at 31 December 2015 and QAR 2,527.6 million, or 9.3 per cent., of its total liabilities at 31 December 2014.

The Group's other borrowings consists of term loan facilities obtained by the Group and, as at 31 December 2016, these facilities amounted to QAR 1,886.9 million, compared to QAR 2,054.9 million in 2015 and QAR 1,476.6 million in 2014.

The Group's subordinated debt consists of U.S.\$50 million (QAR 182.0 million) Tier II qualified subordinated medium term notes with a maturity date of 27 December 2017. The interest on the notes is based on the 3 month LIBOR rate and the interest rate is resettable at half yearly intervals (the initial reset date was 30 December 2014).

The Group's certificates of deposits were QAR 2,237.6 million, or 6.7 per cent. of the Group's total liabilities at 31 December 2016, QAR 1,549.0 million, or 5.6 per cent. of its total liabilities at 31 December 2015 and QAR 2,392.8 million, or 8.8 per cent. of its total liabilities as at 31 December 2014. These are short term money market instruments which qualify for the Group's credit ratio as per QCB regulations.

The table below shows the Group's funding in the form of customer deposits, interbank deposits, certificates of deposit, subordinated debt and term loan facilities as at 31 December 2014, 2015 and 2016.

	As at 31 December					
	2014		2015		2016	
	(QAR '000)	(% of total)	(QAR '000)	(% of total)	(QAR '000)	(% of total)
Customer deposits .....	19,893,077	75.15	20,384,090	76.03	25,010,862	77.18
Interbank deposits .....	2,527,626	9.55	2,638,289	9.85	1,276,265	3.94
Other borrowings .....	1,476,582	5.58	2,054,866	7.66	1,886,949	5.82
Debt securities .....	-	-	-	-	1,810,625	5.59
Certificates of deposit .....	2,392,800	9.04	1,549,900	5.78	2,237,629	6.91
Subordinated debt .....	182,000	0.69	182,000	0.68	182,000	0.56
<b>Total .....</b>	<b>26,472,085</b>	<b>100.0</b>	<b>26,809,145</b>	<b>100.0</b>	<b>32,404,330</b>	<b>100.0</b>

The table below shows a breakdown of the Group's customer deposits by type as at 31 December 2014, 2015 and 2016.

	As at 31 December					
	2014		2015		2016	
	(QAR '000)	(% of total)	(QAR '000)	(% of total)	(QAR '000)	(% of total)
Current and call deposits .....	3,546,338	17.83	3,115,892	15.29	3,820,238	15.27
Saving deposits .....	1,120,365	5.63	1,178,545	5.78	1,090,479	4.36
Time deposits .....	15,226,374	76.54	16,089,653	78.93	20,100,145	80.37
<b>Total .....</b>	<b>19,893,077</b>	<b>100.0</b>	<b>20,384,090</b>	<b>100.0</b>	<b>25,010,862</b>	<b>100.0</b>

The table below shows a breakdown of the Group's customer deposits by sector as at 31 December 2014, 2015 and 2016.

	As at 31 December					
	2014		2015		2016	
	(QAR '000)	(% of total)	(QAR '000)	(% of total)	(QAR '000)	(% of total)
Government.....	3,704,864	18.62	2,152,337	10.56	1,278,237	5.11
Government and semi government agencies .....	1,828,217	9.19	4,318,328	21.18	4,003,157	16.01
Retail .....	6,088,423	30.61	5,763,638	28.28	6,765,374	27.05
Corporate .....	8,271,573	41.58	8,149,787	39.98	12,964,094	51.83
<b>Total.....</b>	<b>19,893,077</b>	<b>100.0</b>	<b>20,384,090</b>	<b>100.0</b>	<b>25,010,862</b>	<b>100.0</b>

### *Maturity profile*

The table below shows the maturity profile of the Group's customer deposits and amounts due to banks as at 31 December 2014, 2015 and 2016.

	<1 month	1 – 3 months	3 – 12 months	1 – 5 years	> 5 years	Total
<b>As at 31 December 2016</b>						
Customer deposits .....	7,066,681	10,301,375	7,631,630	11,176	—	25,010,862
Due to banks .....	819,517	456,748	—	—	—	1,276,265
Term loan facilities .....	—	—	—	1,886,949	—	1,886,949
Debt securities .....	—	—	—	1,810,625	—	1,810,625
Certificates of deposit.....	509,821	1,245,808	482,000	—	—	2,237,629
Subordinated debt .....	—	—	—	182,000	—	182,000
<b>As at 31 December 2015</b>						
Customer deposits .....	8,376,999	6,610,613	4,582,203	814,275	—	20,384,090
Due to banks .....	2,244,409	248,280	145,600	—	—	2,638,289
Term loan facilities .....	—	—	—	2,054,866	—	2,054,866
Certificates of deposit.....	1,395,582	154,318	—	—	—	1,549,900
Subordinated debt .....	—	—	—	182,000	—	182,000
<b>As at 31 December 2014</b>						
Customer deposits .....	9,143,059	4,665,091	5,103,261	981,666	—	19,893,077
Due to banks .....	2,309,226	218,400	—	—	—	2,527,626
Term loan facilities .....	—	—	—	1,476,582	—	1,476,582
Certificates of deposit.....	1,267,237	1,055,563	70,000	—	—	2,392,800
Subordinated debt .....	—	—	—	182,000	—	182,000

In line with many local and regional banks, a significant proportion of the Group's principal sources of funding at 31 December 2016 is short-term in nature, with 25.9 per cent. of such funding being repayable within one month and a further 37.1 per cent. being repayable within three months and 25.0 per cent. being repayable within one year. See further "*Risk Factors — ABQ is subject to the risk that liquidity may not always be readily available or may only be available at significant cost*". The establishment of the Programme is intended to help the Group diversify its sources of funding and issues of Notes under the Programme are expected to extend the average maturity of the Group's funding. The Group continues to diversify its sources of customer deposits, has increased its unsecured term borrowing from the bank markets and is focused on extending the maturity profile of its liabilities.

### *Capital Adequacy*

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee and adopted by the QCB in supervising the Group.

The primary objectives of the Group's capital management are 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 maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

ABQ's capital adequacy ratio has been calculated in accordance with Basel III guidelines with effect from 1 January 2014, as required by the QCB. The minimum capital adequacy requirement is 12.5 per cent. (which incorporates a 2.5 per cent. capital conservation buffer).

The table below shows the composition of the Group's eligible capital, a breakdown of its risk weighted assets and its capital ratios as at 31 December 2014, 2015 and 2016. The capital adequacy information in respect of 2015 and 2016 is based on Basel III requirements.

	As at 31 December	
	2016(Basel III)	2015(Basel III)
<i>(QAR '000 except percentages)</i>		
Common Equity Tier 1 (CET 1) capital/Tier 1 capital (Basel II).....	4,669,396	4,267,779
Tier 2 capital.....	48,800	85,200
<b>Total eligible capital</b> .....	<b>4,718,196</b>	<b>4,352,979</b>
Cash and balances with central bank .....	—	—
Due from banks .....	722,812	293,115
Loans and advances to customers.....	26,101,931	23,184,090
Investment securities.....	741,999	927,240
Other assets .....	797,789	608,716
<b>Total risk weighted assets for credit risk</b> .....	<b>28,364,531</b>	<b>25,013,161</b>
Risk weighted assets for market risk .....	80,779	83,863
Risk weighted assets for operational risk .....	1,755,834	1,691,888
<b>Total risk weighted assets</b> .....	<b>30,201,144</b>	<b>26,788,912</b>
<b>CET 1/Tier 1 (Basel II) capital adequacy ratio</b> .....	15.5%	15.9%
<b>Total capital adequacy ratio</b> .....	15.6%	16.3%

### ***Contingent liabilities***

The Group has contingent liabilities in respect of undrawn commitments (funded and unfunded) it has made as well as in relation to guarantees and letters of credit issued by it. The table below shows these contingent liabilities as at 31 December 2014, 2015 and 2016.

	For the year ended 31 December		
	2014	2015	2016
<i>(QAR '000)</i>			
Unutilised facilities-non cancellable.....	10,344,210	11,277,335	9,928,537
Guarantees.....	4,495,981	6,429,726	7,108,186
Letters of credit.....	1,088,595	904,741	926,398
<b>Net operating income</b> .....	<b>15,928,786</b>	<b>18,611,802</b>	<b>17,963,121</b>

As commitments may expire without being drawn, and as guarantees and letters of credit are contingent upon specific events occurring, the amounts stated above do not necessarily represent future cash requirements.

### ***Other commitments***

The Group currently has commitments in respect of forward foreign exchange contracts, interest rate swaps and foreign exchange options entered into to hedge the Group's commitments with respect to specific customer deposits and under which the related risks and rewards are fully passed on to the customer. See Note 30 to the Financial Statements for further information in relation to these derivative contracts. As at 31 December 2016, the Group's commitments in respect of forward foreign exchange contracts, interest rate swaps and foreign exchange options amounted to QAR 3,667.6 million, QAR 1,032.6 million and QAR 247.5 million, respectively (compared to QAR 3,471.5 million, QAR 1,088.4 million and QAR 485.1 million, respectively in 2015).

### ***Related party transactions***

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties

include entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group.

The Group's principal related party transactions are with major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled, or significantly influenced by such parties. These transactions include lending and deposit taking, as well as salaries and other benefits paid to senior management and fees paid to Directors. All such transactions have been entered into on arm's-length terms.

Under QCB guidelines, loans and advances extended to a member of the Board (including his "credit group" and all his family members) may not exceed seven per cent. of ABQ's capital and reserves and the aggregate loans and advances extended to members of the Board (and their credit groups and family members) as a whole may not exceed 35 per cent. of ABQ's capital reserves. Any loan and advance extended to a member of the Board (or his credit group or family members) is required to be fully secured. Permitted security includes a cash guarantee covering the entire outstanding balance of the credit facility, an irrevocable, unconditional bank guarantee from an internationally rated bank and security over shares (other than shares in a company of which the Board member is a director), real estate or land (excluding the private residence of the Board member or his relatives). Loans and advances extended to relatives of Board members (that is, father, mother, brother and sister) may not exceed in aggregate 20 per cent. of ABQ's capital and reserves. The related Board member is not permitted to participate in the decision of whether to extend the loan or advance to his relative.

The QCB prohibits any preferential treatment in the conditions of granting loans or in the applicable interest rate payable by a Board member. Board approval is required when granting or renewing any loan facility extended to a member of the Board or his credit group.

As at 31 December 2016, the Group had provided QAR 759.2 million as loans and advances to certain members of its board of directors. These loans and advances were provided to such members of ABQ's board of directors in their capacity as customers of ABQ and on an arm's-length basis. Further information on the Group's related party transactions in 2014, 2015 and 2016 is set out in Note 33 to the Financial Statements.

#### ***Disclosures about risk***

The Group is exposed to a number of financial risks and takes steps to mitigate certain of these risks as described further in the "*Risk Management*" section and in Note 4 to the Financial Statements.

## OVERVIEW OF QATAR

*Unless indicated otherwise, information in this section has been derived from Government publications.*

### Country Profile

Qatar is an independent state in the Southern Arabian Gulf. Qatar shares a land border and maritime boundaries with Saudi Arabia and maritime boundaries with Bahrain, the UAE and Iran. Qatar covers an area of approximately 11,493 square kilometres. Doha is the capital city of Qatar, the seat of government and Qatar's cultural, commercial and financial centre. It includes the country's main seaport and international airport and has an advanced road system linking it with the international road network.

According to the most recent full Government census, Qatar's population was 1,699,435 in April 2010 indicating a 128.4 per cent. growth in population since the census prior to that was carried out in 2004. In November 2016, the Ministry of Development Planning and Statistics estimated, on a preliminary basis, that there were 2,637,302 people within the state boundaries of Qatar. The Ministry of Development Planning and Statistics is currently conducting a simplified mid-decade census that was launched in the first quarter of 2015. A large portion of Qatar's population comprises of non-Qatari nationals.

Qatar, which gained independence from the United Kingdom on 3 September 1971, was ruled by H.H. Sheikh Hamad Bin Khalifa Al-Thani from 27 June 1995 until 25 June 2013, on which date he handed power over to his fourth son, and the current Emir of Qatar, H.H. Sheikh Tamim Bin Hamad Bin Khalifa Al-Thani. During his reign, H.H. Sheikh Hamad implemented various initiatives designed to exploit Qatar's oil and gas resources in a responsible manner, thereby making rapid economic development and the construction of modern infrastructure possible in Qatar. During a period of rapid economic and social progress, Qatar has maintained its cultural and traditional values as an Arab and Islamic nation.

In terms of foreign relations and membership of international organisations, Qatar, together with Bahrain, Kuwait, Oman, Saudi Arabia and the UAE form the GCC. Furthermore, Qatar is a member of the Organization of the Petroleum Exporting Countries ("OPEC"), the Gas Exporting Countries Forum (which was established in 2008 and has its headquarters in Doha) and the United Nations. It is also a member of numerous international and multilateral organisations, including the IMF, the International Bank for Reconstruction and Development, the World Trade Organisation, the Arab League, the Organisation of the Islamic Conference, the Multilateral Investment Guarantee Agency and UNESCO.

On 23 December 2008, representatives of 11 gas producing nations, including Qatar, Russia and Iran, signed an intergovernmental memorandum and charter formally establishing the Gas Exporter Countries Forum (the "GECF"), which chose Doha as the future headquarters for its permanent secretariat. The GECF Secretary General commenced his duties in Doha in February 2010 and the GECF Liaison Office, which facilitates the affairs of the GECF, is also based in Doha. Apart from the regular ministerial meetings, the first GECF gas summit was held in Doha in December 2011. The GECF's objectives include exchanging information on a broad range of issues such as new technologies, investment programmes, relations with natural gas consuming countries and environmental protection.

Qatar is an advocate for regional integration and is a member of the GCC. In 2003, the GCC established a customs union under which Qatar applies a common customs tariff of 5.0 per cent. to most products, with a limited number of exceptions. In 2005, as part of the GCC, Qatar joined the Istanbul Cooperation Initiative, which is a North Atlantic Treaty Organisation (NATO) initiative to enhance regional security in the broader Middle East.

In 2001, the GCC proposed the establishment of a common currency with a view to deepening economic integration. The GCC monetary union is expected to improve the efficiency of financial services, lower transaction costs and increase transparency in the prices of goods and services. In December 2008, finance ministers of certain GCC member states (other than Oman) signed an agreement establishing the framework of the monetary union. The agreement also provides for the establishment of a monetary council, which will finalise the details of the monetary union and is expected to be converted eventually into a GCC central bank. The agreement must be ratified by each member state in order for it to take effect. Currently, four of the six GCC members have signed the accord to join the monetary union – Qatar, Kuwait, Saudi Arabia and Bahrain – while the UAE and Oman have opted out. In May 2009, those GCC members who intend to join the monetary union decided that Riyadh would be home to the new GCC monetary council (the "GCC Monetary Council"), a precursor to a GCC central bank. In March

2010, Qatar, Kuwait, Saudi Arabia and Bahrain unanimously elected Saudi Arabia's Monetary Agency Governor as the first chairman of the GCC Monetary Council, representing the latest step in launching a single currency and laying the foundation for a GCC central bank. In October 2015, the board of directors of the GCC Monetary Council appointed His Excellency Dr. Raja Bin Monahi Al- Marzuqi Al-Baqmi as president of the GCC Monetary Council. As yet, there has been no announcement of an official timetable for the progression of the GCC Monetary Union.

## Legal System

Over the last decade, Qatar's legal system has been significantly reformed by the enactment of various pieces of legislation intended to bring Qatari laws in line with international laws, standards and practices. Qatar's civil code (Law No. 22/2004) addresses a wide range of matters including conflict of laws, contracts, rights and obligations, security, guarantees, property and torts. Qatar's commercial code (Law No. 27/2006) addresses among others, commercial affairs and entities, commercial obligations, commercial mortgages and contracts and commercial paper. The commercial code also addresses bankruptcy matters, permitting creditors to file claims against any corporate entity, except for certain professional companies and other companies that are at least majority owned by the Government, and operates a public utility. The Commercial Companies Law (Law No. 11/2015) addresses the incorporation of companies, the ownership of shares, the liability of companies, shareholders and directors, capital contributions, payment of dividends, shareholder rights and obligations and rules of corporate governance.

The Government has passed other significant legislation in recent years, including the Foreign Investment Law, the Bankruptcy Law, the Central Bank Law (the "**QCB Law**"), the Money Laundering Law, the Law relating to the QSE and the Qatar Financial Centre Law (the "**QFC Law**"), as well as competition, intellectual property, labour, property and environmental laws.

Following the establishment of the QFC in 2005, the QFC Law established a legal and regulatory regime to govern the QFC that is generally parallel to and separate from Qatari laws and the Qatari legal system, except for Qatari criminal law. The QFC has established its own rules and regulations applicable to, among others, financial services companies, and which cover topics such as employment, companies, anti-money laundering, contracts and insolvency. See further "*Banking Industry and Banking Regulation in Qatar—Qatar Financial Centre*".

Qatar is also strengthening the private sector by undertaking regulatory reforms aimed at improving Qatar's business climate and creating an environment that will support enterprise creation, private competition and foreign direct investment, including through taking steps such as liberalising the telecommunications sector and creating special economic zones. In addition, Qatar has sought to increase the country's attractiveness to foreign direct investment by implementing laws that allow more foreign participation in the domestic economy. For example, the Government has established the QFC, which enables global financial firms to operate in Qatar, although there are restrictions on such financial institutions dealing with retail customers.

In addition, on 1 January 2010, Law No. (21 of 2009) on Income Tax (the "**Income Tax Law**") came into effect. Under the Income Tax Law (which is applicable outside the QFC), taxable income in any taxable year is now taxed at a flat tax rate of 10.0 per cent. for companies, except for certain oil and gas companies that will continue to be taxed at the previous rate of 35.0 per cent. This is part of a broad plan to diversify the Qatari economy to reduce reliance on the oil and gas sector. However, Qatari companies 100 per cent. owned by Qataris do not pay income tax.

GCC states are expected to sign a framework agreement for Value Added Tax ("**VAT**") which has not yet been formally announced but is expected to come into force in 2018. The tax will apply a single rate (expected to be 5 per cent.) to a broad basket of goods and services, with likely exceptions including basic food items, healthcare and education. The Qatar government is currently preparing for the introduction of VAT.

## Economic Overview

Qatar is one of the most prosperous countries in the world. According to the QCB's September 2016 Quarterly Statistical Bulletin, Qatar's nominal GDP per capita was QAR 245,835 in 2015. Over the last several years, Qatar has been one of the fastest growing economies in the world. As at 31 December

2015, Qatar's proven reserves of oil amount to approximately 25.7 thousand million barrels while its proven reserves of natural gas amounted to 866.2 trillion cubic feet, according to the BP Statistical Review of World Energy June 2016. Virtually all of Qatar's proven reserves of natural gas and condensate are located in the North Field, which is estimated by the U.S. Energy Information Administration to be the largest non-associated gas field in the world, representing approximately 12.7 per cent. of the world's natural gas reserves in 2014, according to the same report. Qatar has over 100 years of proven gas reserves at projected long-term production levels.

According to the Ministry of Development Planning and Statistics, Qatar's carefully planned exploitation of its hydrocarbon reserves resulted in a nominal GDP compound annual growth rate ("CAGR") of 19.9 per cent. from 2009 to 2013. Qatar's economy achieved a new record in 2014 with a total nominal GDP of QAR 750.7 billion (U.S.\$206.24 billion) representing nominal GDP growth of 3.8 per cent. in 2014 compared to 2013 (source: *QCB September 2016 Quarterly Statistical Bulletin*). However, in light of the downturn in global financial market conditions and the difficult macro-economic environment (including the severe drop in oil prices), Qatar's annual real GDP growth rate for 2015 was - 20.2 per cent and its projected annual GDP growth for 2016 is 3.9 per cent. Qatar exported 106.4 billion cubic metres of LNG in 2015 and is the largest LNG exporter in the world according to BP Statistical Review of World Energy June 2016. According to the QCB Annual Report for 2015, the oil and gas sector contributed 51.1 per cent. and 36.2 per cent. of Qatar's total nominal GDP in 2014 and 2015, respectively. Qatar has continued to stimulate growth in its gas network through the Barzan Project (a project to provide domestic pipeline gas), which was scheduled to commence operations in November 2016. Qatar has focused on diversifying its economy in recent years in an effort to reduce its historical dependence on oil and gas revenues. The construction and real estate sectors have recently made substantial contributions to Qatar's economic growth and significant investments have been made to increase economic returns from, in particular, petrochemicals, financial services, infrastructure development and tourism. As a result, nominal GDP for the non-oil and gas sector grew by 3.6 per cent. in 2015 and the oil and gas sector declined by 43.7 per cent. in 2015. Nominal GDP for the non-oil and gas sector was QAR 387.6 billion (U.S.\$106.5 billion, or 63.8 per cent. of Qatar's total nominal GDP, in 2015.

In recent years, Qatar has focused on developing and exploiting its natural gas resources beyond the LNG industry by implementing a downstream strategy driven by opportunities to generate additional revenue from its existing oil and gas production. Qatar Petroleum has developed pipeline gas projects both for regional export markets and for domestic petrochemicals and industrial consumption. In addition, Qatar Petroleum is the majority shareholder in a number of industrial companies located primarily at Ras Laffan City and Mesaieed Industrial City, which use natural gas as feedstock and/or fuel to produce various value added products, such as petrochemicals, fertiliser, steel, iron and metal coating, both for domestic consumption and for export. Qatar has also invested in exploiting various gas-to-liquid ("GTL") technologies and has two joint venture projects currently in operation to generate GTL products like distillates.

Throughout a period characterised by rapid growth and development, Qatar has demonstrated fiscal responsibility by managing its budget and public finances prudently. In 2009, Qatar's current debt to GDP ratio was less than 10 per cent. However, between 2009 and 2012, Qatar's indebtedness increased, mainly due to the support given by Qatar to the commercial banking sector during the global financial crisis in 2009 and the issuance of bonds and treasury bills by the QCB in 2010, 2011 and 2012 to absorb excess liquidity among domestic commercial banks and to develop a yield curve for riyal-denominated domestic bonds. Following the global financial crisis, Qatar has tightened the regulatory framework applicable to the commercial banking sector, see "*Banking Industry and Banking Regulation in Qatar—Qatar Central Bank*". In recent years, Qatar has reduced its total external indebtedness and its total internal indebtedness. According to a report by the Ministry of Finance as sourced by the IMF, Qatar's total direct external indebtedness was QAR 74.3 billion (U.S.\$20,412 million), or 10.1 per cent. of nominal GDP, as of 31 March 2014 and QAR 67.0 billion (U.S.\$18.4 billion) as at 31 March 2015. Most of Qatar's significant energy projects are funded on a stand-alone, limited recourse basis.

The significant revenues generated by the oil and gas sector (which contributed QAR 177.6 billion (U.S.\$48.8 billion), QAR 195.4 billion (U.S.\$53.7 billion) and QAR 163.8 billion (U.S.\$45 billion) of Qatar's annual revenues in the fiscal years ended 31 March 2013, 31 March 2014 and 31 March 2015, respectively) have provided sustained liquidity while ensuring sizeable surpluses in the fiscal and external accounts. Qatar had budget surpluses since the fiscal year ended 31 March 2001 until 2015. However, in light of the downturn in global financial market conditions and the difficult macro-economic environment (including the severe drop in oil prices), the Government announced a projected budget

deficit for the 2016 fiscal year of approximately QAR 46.5 billion (U.S.\$12.8 billion), its first budget deficit in fifteen years. The Government further announced an expected deficit for the 2017 fiscal year of QAR 28.3 billion (U.S.\$7.8 billion). The Government has announced measures to curb the shortfall and counter the impact of reduced oil and gas prices on the economy by rationalising expenditure as well as accessing the local and international debt markets in order to sustain spending in certain sectors, such as health, education, infrastructure and transport.

Qatar's trade activity is strong, with total goods exported (including re-exports) in 2015 valued at QAR 281.4 billion (U.S.\$77.3 billion) and total imports in 2015 valued at QAR 103.7 billion (U.S.\$28.5 billion). The external sector has been characterised by a large current account surplus each year since 2000 and robust growth in imports has been counterbalanced by a significant rise in hydrocarbon exports.

In its March 2015 Article IV Consultation: Staff Report and Press Release on Qatar (the "**2015 Article IV Report**"), the IMF noted the following:

- Qatar continues to implement an ambitious diversification strategy through a large public investment programme, while retaining its systemic role in the global natural gas market;
- the recent large drop in oil and natural gas prices will lead to a substantial deterioration of the fiscal and external balances;
- Qatar's growth will remain strong in 2015, but is expected to slow going forward;
- consumer price inflation is contained, although real estate prices have grown quickly;
- ongoing budget reforms are welcome and should be deepened further;
- banks remain sound and the financial sector regulatory agenda is moving forward, but emerging risks and vulnerabilities need to be carefully monitored;
- the prospects of persistently low oil prices and slowing medium-term growth call for intensification of diversification efforts; and
- the fixed exchange rate regime remains appropriate for Qatar.

In recent years, Qatar has used its budget surpluses to diversify the economy through increased spending on infrastructure, social programmes, healthcare and education, which have modernised Qatar's economy. Qatar's economic growth has also enabled it to diversify its economy through domestic and international investment into different classes of assets. This diversification will be important to Qatar's future Government revenues as the growth rate of the state's revenue from the oil and gas sector is expected to stabilise given the completion of several of the State's long-term hydrocarbon investment programmes. In 2005, the QIA was established to propose and implement investments for Qatar's growing financial reserves, both domestically and abroad. Through the QIA, Qatar has invested in private equity, the banking sector, real estate, publicly traded securities and alternative assets. With its growing portfolio of international and domestic long-term strategic investments, the QIA has continued to develop Qatar's economic diversification strategy while contributing to the nation's significant economic expansion.

The QIA has provided financial support to Qatar's financial sector as a response to the global economic downturn and as a preventative measure to preserve the general stability in Qatar's banking sector. See further "*Banking Industry and Banking Regulation in Qatar—Banking System—Commercial banks*". A portion of the budget surplus has also been placed into stabilisation funds administered by the QIA. Education and health services are expected to be funded in future years by the interest derived from revenues of designated LNG trains currently being placed into dedicated stabilisation funds. The Government does not publish figures relating to the size, scope or performance of the portfolio of investments administered by the QIA.

In December 2010, Qatar made headlines around the world when it was awarded the right to host the Federation Internationale de Football Association (FIFA) 2022 World Cup (the "**2022 World Cup**"). The 2022 World Cup provides opportunities for Qatar to invest in further developing its infrastructure and diversifying its economy.

## Annual Indicators

The following table shows certain economic data for Qatar for the periods indicated:

	2012	2013	2014	2015
Nominal GDP (QAR millions).....	692,655	734,863	764,797	607,544
Growth rate (%).....	12.1	6.1	4.1	(20.6)
Oil sector share (%).....	57.0	54.8	51.1	36.2
Growth rate (%).....	9.8	2.1	(3.0)	(43.7)
Non-oil sector share (%).....	43.0	45.2	48.9	63.8
Growth rate (%).....	15.1	11.4	12.7	3.6
GDP per capita (QAR thousand).....	377.9	366.8	345.1	249.2
CPI-Inflation (%) <sup>(3)</sup> .....	1.87	3.13	3.40	1.80

Source: QCB Annual Reports.

## Inflation

Consumer Price Index inflation (the "CPI") in Qatar increased every year from 0.2 per cent. in 2002 to 15.2 per cent. in 2008 with a CAGR of 9.7 per cent. over that period. Qatar witnessed deflation of 4.9 per cent. in 2009 and 2.4 per cent. in 2010, reflecting mainly a decrease in housing costs. Inflation was 1.9 per cent. in 2011, 1.9 per cent. in 2012, 3.2 per cent. in 2013, 3.4 per cent. in 2014 and 1.8 per cent. in 2015. The QCB's Quarterly Statistical Bulletin for September 2016 indicates that the inflation rate in Qatar was 3.1 per cent. in the first quarter of 2016 and then dropped to 2.7 per cent in the second quarter of 2016. According to the Ministry of Development, Planning and Statistics' Qatar Economic Outlook 2016-2018 report, the Government has projected the CPI for the 2016, 2017 and 2018 fiscal years to be 3.4 per cent., 3.6 per cent. and 3.8 per cent., respectively.

The increase in inflation prior to 2009 was primarily accounted for by the rapid and sustained increase in rental prices, as well as an increase in international food and raw material prices. Prior to 2009, the rental component of the CPI increased sharply by an average 19.7 per cent. in 2008, 29.2 per cent. in 2007 and 25.9 per cent. in 2006. In order to address the domestic housing shortage and control housing prices, the Government supported several domestic and residential construction projects. As a result, cost pressure abated and rental prices stabilised. The housing cost component of the CPI fell by an average 12.0 per cent. in 2009, 12.7 per cent. in 2010, 4.9 per cent. in 2011 and 3.2 per cent. in 2012. However, the housing cost component of the CPI has increased since 2012 by an average 5.8 per cent. in 2013 and 7.8 per cent. in 2014.

The QCB uses various monetary instruments to address price stability. The required reserve ratio for commercial banks was increased to 4.75 per cent. in 2008 in an effort to absorb excess liquidity from the domestic markets. Certificates of deposit for terms of one, three, six and nine months were increased from zero at the end of 2007 to a total of QAR 8.0 billion (U.S.\$2.2 billion) as at March 2010 and were subsequently reduced to zero in 2011. They have remained at zero until the date of this Base Prospectus. In addition, the QCB maintained its lending interest rate at 5.5 per cent. from 2007 until April 2011 and its deposit interest rate at 2.0 per cent. from May 2008 until August 2010. The most recent cuts took place in August 2011, when rates on lending decreased from 5.0 per cent. to 4.5 per cent. and rates on deposits decreased from 1.0 per cent. to 0.75 per cent. The United States Federal Reserve Bank reduced its benchmark deposit rate on several occasions from 5.25 per cent. in September 2007 to 0.25 per cent. in December 2008 and December 2015, and then more recently increased it to 0.75 per cent. in December 2016.

## National Vision

In October 2008, Qatar's General Secretariat for Development Planning developed and published the Qatar National Vision 2030 (the "**National Vision**"). The National Vision defines broad future trends and long-term objectives for Qatar, providing the framework within which national strategies and implementation plans can be developed. Besides establishing the foundation for developing Qatar's future strategies and policies, the National Vision has also helped to strengthen co-ordination between governmental agencies and to integrate planning efforts for the Government, the private sector and civic organisations. The four cornerstones of the National Vision are human, social, economic and environmental development, in the context of which the State aims to balance: (i) modernisation and the preservation of traditions; (ii) the needs of the current generation and the needs of future generations; (iii)

managed growth and uncontrolled expansion; (iv) the size and quality of the expatriate labour force; and (v) economic growth, social development, and environmental management. The Qatar National Vision is to be achieved through a series of medium term plans. The first such six-year plan, referred to as the National Development Strategy (NDS 2011-16), was released in March 2011.

## BANKING INDUSTRY AND BANKING REGULATION IN QATAR

*Unless otherwise indicated, information in this section has been derived from publications of the Government, the QCB and the QFC's annual report and website.*

### **Qatar Central Bank**

The QCB was established in 1993, pursuant to Emiri Decree No. 15 of 1993. It inherited the roles of the former Qatar Monetary Authority and operates in co-ordination with the Ministry of Finance. The QCB Law, which came into force in 2013, now regulates the activities of the QCB. The QCB is managed by a board of directors and is chaired by its Governor. The board of directors includes the Deputy Governor of the QCB and at least five other members, including representatives from the Ministry of Finance and the Ministry of Economy and Commerce. The representatives of both ministries hold the rank of undersecretary or higher.

In its supervisory capacity, the QCB oversees the activities of Qatar's commercial banks (both conventional and Islamic banks), non-bank financial institutions, insurance and re-insurance companies (outside the QFC) with a view to minimising banking and financial risk in Qatar's financial sector. The QCB conducts regular inspections of commercial banks and non-bank financial institutions and reviews reports and other mandatory data submitted by commercial banks, including monthly capital adequacy compliance reports.

The QCB has initiated single factor stress testing of the portfolios of commercial banks in Qatar. The testing covers the four broad areas of liquidity risk, credit risk, interest rate risk and equity market risk. The results of these stress tests illustrate the possible impact of adverse financial conditions on a commercial bank's capital adequacy ratio or return on assets. Recent stress testing of commercial banks, conducted on an aggregate basis by the QCB, suggested that neither the capital adequacy ratio nor the returns on assets of Qatar's domestic banks would be significantly impaired. The International Monetary Fund's 2015 Article IV Consultation — staff report (IMF country report No. 15/86) stated that stress tests indicate the banking system is well-capitalised and liquid. It also noted that stress tests show resilience in the banking system to plausible shocks due to high capital, liquidity buffers and the QCB's facilities and pointed to continued progress in implementing Basel III and related regulations. In the International Monetary Fund's 2014 Article IV Consultation — staff report (IMF Country Report No. 14/108), the IMF welcomed the QCB's commitment to pursuing stress testing of banks on an ongoing basis. Recently, the QCB has implemented regulations regarding non-performing loans, large exposures, country risk, money market and foreign exchange accounts, credit ratios, fixed assets for banks' use, reserve requirements and banks' investments. The QCB has the authority to impose penalties in the event that banks fail to comply with these regulations.

The QCB requires commercial banks to maintain a minimum reserve requirement of 4.75 per cent. of total deposits and a minimum capital adequacy ratio of 12.5 per cent. (including a capital conservation buffer of 2.5 per cent.). The QCB has also established the Qatar Credit Bureau, which provides analytical data and supports banks in their implementation of advanced risk management techniques outlined by Basel II and Basel III. Commencing from 2014, commercial banks in Qatar were also required to maintain a minimum liquidity coverage ratio of 60 per cent. increasing by 10 per cent. each year to reach 100 per cent. in 2018. This is a stricter timeline imposed by the QCB as the QCB Basel III implementation requirements for maintaining minimum liquidity coverage ratio are expected to be completed by 1 January 2019.

As at December 2015, Tier 1 capital of Qatari banks was 15.2 per cent. of risk-weighted assets and non-performing financings ("NPFs") remained below 2 per cent. The banking system was highly profitable, with a return on assets of 2.0 per cent.

Commercial banks are required to have their annual accounts audited by the QCB's approved independent auditors and to obtain prior approval from the QCB to appoint senior management. The QCB also issues domestic currency and conducts bank clearing operations and settlements. The investment department of the QCB manages the investments of the QCB's financial reserves. These investments are primarily in the form of securities issued or guaranteed by other sovereigns with maturities of up to 10 years and are maintained at a level at least equal to 100 per cent. of the Qatari riyals issued by the QCB at any time.

The QCB, in order to ensure better regulation and risk management in the domestic Islamic and conventional banking sector, issued instructions in 2011 to conventional banks to wind up their Islamic banking operations by the end of 2011. The QCB has proposed to extend the ban on onshore banks operating Islamic windows to include financial institutions in the QFC. The QCB also imposes certain exposure limits and credit controls on commercial banks. Credit facilities in excess of 20 per cent. of any bank's capital and reserves cannot be extended to a single customer's customer group and credit and investment facilities in excess of 25 per cent. of any commercial bank's capital and reserves cannot be extended to a single customer's customer group. Credit facilities extended to a single major shareholder's customer group in any bank cannot exceed 10 per cent. of that bank's capital and reserves.

The QCB sets a maximum limit on loans and Islamic finance against transfer of salaries of QAR 2 million for Qatari citizens and QAR 400,000 for non-Qatari residents, which can be increased to QAR 1 million for government employees against a lien on end of service benefits. The QCB provides that the maximum terms on loans and Islamic finance are six years for Qatari citizens and four years for non-Qatari residents. Maximum rates of interest are set at the QCB lending rate (the "**QCB Rate**") on top of which 1.5 per cent. per annum is added for Qatari citizens and non-Qatari residents. The QCB also sets caps in relation to the amount of total monthly obligations that an individual can have against salary, which is set at 75 per cent. of the sum of basic salary and social allowance for Qatari citizens and 50 per cent. of total salary for non-Qatari residents.

In July 2014, the QCB established a loan-to-deposit cap of 100 per cent. (loans defined as credit facilities net of provisions, profit in suspense and deferred profit). Initially, banks in Qatar were given until the end of December 2014 to comply with this limit however, in December 2014, the QCB issued another circular extending the grace period for compliance until 31 December 2017.

The QCB regulations dictate that the maximum credit card withdrawal limit of an individual in Qatar is double his or her net total salary for both Qatari citizens and non-Qatari residents. The QCB provides that maximum rates of interest for credit cards are set at 1 per cent. monthly for Qatari citizens and non-Qatari residents. The QCB also provides that the maximum rate of interest on arrears of debt arising from credit cards is set at 0.25 per cent. monthly for Qatari citizens and for non-Qatari residents.

The QCB has specific regulations applicable to real estate financing. In cases where an individual's salary is the main source of repayment, the QCB provides that the maximum limit of total real estate finance available is 70 per cent. of the value of mortgaged properties. In addition, the maximum period permitted for repayment of the real estate finance is 20 years, including any grace period. The QCB regulations dictate that the maximum salary deductions, including instalments and other liabilities, is capped at 75 per cent. of the basic salary and social allowance for Qatari citizens, and capped at 50 per cent. of total salary for non-Qatari residents, **provided that** the salary and post retirement service dues are transferred to the bank offering the finance.

The QCB regulations also require that where real estate finance is granted to an individual whose salary is not the main source of repayment, the maximum limit of total finance available to that individual is 60 per cent. of the value of the mortgaged properties and that the maximum repayment period of that real estate finance is 15 years, including any grace period. QCB regulations also provide that these maximum limits may be increased to 70 per cent. and that the maximum period permitted for repayment be extended to 20 years, if cash is regularly transferred to the bank through a formal assignment of claims to cover the full instalment during the repayment period, including rents and other contractual incomes and revenues. The QCB has determined that financing to real estate should not exceed 150.0 per cent. of a bank's capital and reserves. The main exposure restrictions imposed by the QCB are summarised below:

## **Capital**

### *Capital adequacy*

- Basel III minimum ratio is 12.5 per cent. (including a 2.5 per cent. conservation buffer).
- For credit and market risk the standardised approach is to be followed.
- For operational risk, the basic indicator approach is to be followed.

- Banks are subject to a capital adequacy ration ("**CAR**") imposed by, and calculated in accordance with, regulations of the QCB.

#### *Credit and concentration*

- Maximum limit for a single customer may not exceed 20 per cent. of a bank's capital and reserves.
- Maximum limit of credit facilities that can be granted to any major shareholder or his/her group may not exceed 10 per cent. of the bank's capital and reserves. Maximum limit of total of investment and credit concentration to a single customer is 25 per cent. of a bank's capital and reserves.
- Total real estate financing may not exceed 150 per cent. of a bank's capital and reserves.

#### *Foreign investment*

Foreign investment in Qatari banks is not permitted, save with a specific permission from the Council of Ministers. This restriction does not apply to Qatari banks listed on the QSE, although foreign investors are restricted to holding, in aggregate, not more than 49 per cent. of the shares of any company so listed, unless the memorandum and articles of association of that company state otherwise.

The Board of Directors of the QFMA at its meeting dated 20 March 2016 issued decision no. (1) of 2016 regarding ownership of shares in listed companies on the QSE, which coincides with the issuing of another decision by the Board of Directors of the QCB relating to the determination of percentages and terms of ownership of shares in listed financial institutions on the QSE and subject to the QCB's jurisdiction. Pursuant to this decision, the percentage holding of a single shareholder in a Qatar bank shall not exceed (directly or indirectly) 5 per cent. of the company's capital and may reach up to 10 per cent. subject to the QCB's prior approval. This restriction does not apply to the percentage of shares held by the Government, Qatar Foundation, the funds pertaining to the General Retirement and Social Insurance Authority, QIA and Qatar Holding LLC.

#### *Required Reserve*

The QCB requires each commercial bank to maintain a minimum reserve with the QCB of 4.75 per cent. of its total deposits. The percentage is calculated on the basis of the average daily total deposits balances during the period from the 16<sup>th</sup> of each month to the 12<sup>th</sup> of the following month. The amount of reserves approved applies at the start of the 15<sup>th</sup> day of each month. The reserves are non-interest bearing and are in Qatari Riyals.

#### *Risk Reserve*

The QCB requires local banks to charge a risk reserve of a minimum of 2.5 per cent. on total credit facilities provided by the bank and its subsidiaries as determined at the end of each year. A bank may not use any portion of its risk reserve amount without the prior approval of the QCB.

The following table sets out QCB's financial statement data as at 31 December 2015, 31 December 2014 and 31 December 2013.

	<b>As at 31 December</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>(in millions QAR)</i>		
Balances with Foreign Banks .....	64,166.3	47,699.2	40,756.5
Foreign Securities .....	85,154.3	105,203.9	90,248.9
IMF Reserve Position .....	85.9	62.7	27.9
SDR Holding .....	1,524.1	1,434.4	1,372.2
Gold .....	2,189.0	2,150.1	2,758.0
Balances with Local Banks .....	59,204.8	55,863.4	55,976.2
Unclassified Assets .....	670.0	1,134.8	2,833.6
<b>Total Assets = Total Liabilities .....</b>	<b>212,994.4</b>	<b>213,548.5</b>	<b>193,973.3</b>
Currency Issued .....	12,340.4	14,075.8	14,985.2
Due to Government .....	52,805.0	34,632.7	7,946.5

	As at 31 December		
	2013	2014	2015
	<i>(in millions QAR )</i>		
Capital and Reserves.....	12,444.5	30,603.7	51,795.1
Exchange Rate Fund .....	6,230.3	7,663.0	9,059.9
Revaluation Account.....	3,382.0	2,175.7	0.0
Required Reserve.....	25,464.3	28,541.2	30,479.9
Deposits of Local Banks.....	6,234.0	11,592.2	3,196.8
Excess Reserves.....	5,634.9	4,234.6	3,115.1
Others .....	599.1	7,357.6	81.7
Unclassified Liabilities.....	94,093.9	84,264.2	76,509.9

## Interest Rates

Prior to 2000, the QCB imposed certain ceilings on the credit and deposit interest rates offered by commercial banks. The QCB removed these restrictions in order to further liberalise the financial sector. However, in April 2011 the QCB introduced a cap on interest rates that can be charged on personal loans of 1.5 per cent. per annum over its benchmark lending rate and 1.0 per cent. per month for credit cards. Otherwise, Qatar's banking system is free from any form of interest rate ceilings.

The QCB utilises three different interest rates: a lending rate, a deposit rate and a repo rate. The lending rate applies to the lending facility through which commercial banks can obtain liquidity from the QCB. The deposit rate applies to the deposit facility through which commercial banks can place deposits with the QCB. Both of these facilities may be rolled over to the next day, when transactions are executed electronically. The repo rate is a pre-determined interest rate set by the QCB for repo transactions entered into between the QCB and commercial banks. The overnight liquidity facility rate is used for overnight lending by the QCB to commercial banks.

Prior to July 2007, the QCB tracked the interest rates of the U.S. Federal Reserve as the Qatari riyal is pegged to the U.S. dollar. However, and especially since the global financial crisis, the QCB has not deemed it necessary to change interest rates in tandem with the U.S. Federal Reserve on all occasions in view of domestic macroeconomic conditions, in particular, trends in inflation. Although the QCB's money market rates are largely influenced by the movements in the interest rates of the U.S. Federal Reserve due to the peg on the exchange rate, the QCB acted independently in 2010 and 2011 by changing its policy rate even as the U.S. Federal Reserve continued to keep interest rates unchanged at near-zero levels. The QCB deposit rate, which had been kept at 2 per cent. from May 2008 until July 2010, was thereafter reduced by 125 basis points in total in three phases to 0.75 per cent. by August 2011. In December 2016, this was increased to 1 per cent. Since April 2011, the QCB lending rate was reduced in two phases by 100 basis points in total to 4.5 per cent. However, in December 2016 this was increased to 4.75 per cent. The QCB repo rate was reduced in December 2016 to 2.25 per cent.

On 6 May 2012, the QCB and Bloomberg launched the first ever Qatar Interbank Offer Rate ("QIBOR") fixings, in a move aimed at encouraging a more active interbank market in Qatar. QIBOR, which uses the contributed offer rates quoted by nine panel banks, is calculated by Bloomberg and published on the QCB website and Bloomberg Professional service. QIBOR fixings for eight different tenures ranging from overnight to one year is publicly available each business day making market activity transparent to other banks around the world.

## Liquidity and money supply

The table below shows the trend in certain money supply indicators for the Qatari banking system for the periods indicated.

	2012	2013	2014	2015
Money supply (M1) (QAR million) .....	90,939	105,931	124,256	126,925
Growth rate (%) .....	11.1	16.5	17.3	(2.1)
Money supply (M2) (QAR million) .....	381,053	455,715	504,025	521,383
Growth rate (%) .....	22.9	19.6	10.6	(3.4)
Money supply (M3) (QAR million) .....	442,481	576,814	597,910	582,296
Growth rate (%) .....	22.2	30.4	3.7	(2.6)

The QCB, on behalf of the Government, issues bonds to absorb domestic liquidity and develop a yield curve for riyal-denominated domestic bonds. The QCB has issued a number of domestic bonds since 1999. In 2011, the QCB also issued bonds amounting to QAR 50 billion (U.S.\$13.7 billion) to Qatari domestic banks, of which roughly two thirds went to Islamic banks and the rest to conventional banks. The funds so generated were transferred by the QCB to the State of Qatar's account and the State of Qatar used these funds for various governmental uses and for investment. In March 2013, the QCB launched quarterly government bond sales to help banks manage liquidity and to complement the monthly auctions of three, six and nine-month T-bills established in 2011. The QCB also prescribes reserve requirements for commercial banks to be maintained with the QCB in order to control domestic liquidity. As at 30 September 2016, Government domestic issuance included: T-bills denominated in local currency each month, with QAR 5 billion outstanding; QAR 34.7 billion in sukuk; and QAR 56.8 billion in Government long-term bonds, according to Bloomberg. Additionally, the Government has also issued QAR 144.9 billion in U.S.\$-denominated long-term bonds as at 30 September 2016, according to Bloomberg.

Qatar launched quarterly bond sales in March 2013 to help banks manage liquidity. Qatar has usually issued QAR 3.0 billion (U.S.\$0.8 billion) worth of conventional bonds and QAR 1.0 billion (U.S.\$0.3 billion) of sukuk each quarter with maturities of three and five years. In late 2014, the QCB indicated that it may be more flexible in planning future auctions of Government bonds, adjusting the timing and characteristics of the issues depending on market conditions and its policy stance. In addition to the bond auctions, the QCB has conducted monthly auctions of three, six and nine month treasury bills since 2011. According to the QCB's Statement on Government Bond Issuances, between June 2009 and February 2016 Qatar issued a total of QAR 67.3 billion in Government bonds. In 2015 the Government issued a total of QAR 13,975 billion and in February 2016 it issued a further QAR 5.0 billion in government bonds.

## **Banking System**

### ***Commercial Banks***

Commercial banks in Qatar (outside the QFC) consist of 7 locally owned conventional commercial banks, 4 Islamic banks that operate according to Islamic *Sharia* principles and 7 foreign banks with established branches in Qatar.

Commercial banks are the primary financial institutions in Qatar, providing deposit taking, credit and investment services, as well as foreign exchange and clearance services. The deposits made in Qatar's commercial banks are not insured as there is no deposit insurance scheme in Qatar.

In June 2016, ratings agency Moody's Investors Service issued a review report of the commercial banks in Qatar and gave the banking sector a "Stable" outlook, which has remained unchanged since 2010. The Moody's Investors Service report highlighted Qatar's ability to sustain banks' robust financial metrics — primarily strong earnings, sound capital buffers and low levels of non-performing financings, through its strong economic environment. Moody's Deutschland and Standard & Poor's current ratings for the State of Qatar are Aa2 with a negative outlook and AA with a stable outlook, respectively.

The QCB requires commercial banks to maintain a CAR of 12.5 per cent. in accordance with the new QCB Basel III requirements (previously 10 per cent. under Basel II). The QCB issued a circular in January 2014 introducing new requirements in accordance with Basel III recommendations. Historically, commercial banks have complied with QCB capital adequacy requirements and, at the end of 2015, the average CAR of the sector was 15.6 per cent. compared with 16.3 per cent. in 2014, 16.0 per cent. in 2013, 18.9 per cent. in 2012. At the end of 2015, Tier 1 average CAR for all banks was 15.2 per cent. compared to 15.8 per cent. in 2014, 15.3 per cent. in 2013, 18.2 per cent. in 2012. Currently, Qatar's commercial banks are compliant with Basel III.

The QIA has provided financial support to Qatar's financial sector as a response to the global economic downturn and as a preventative measure to preserve the general stability in Qatar's banking sector. In early 2009, the QIA began making direct capital injections in Qatar's commercial banking sector through a plan to purchase equity ownership interests of up to 20 per cent. in the domestic banks listed on the QSE. In line with the plan, from 2009 through to 2011, the QIA through Qatar Holding LLC acquired equity positions ranging from 5 per cent. to 20 per cent. in various domestic banks, including the Commercial Bank, Qatar Islamic Bank, ABQ and Doha Bank Q.S.C.

In addition to the equity purchases, the QIA also assisted the banking sector by purchasing certain portions of their investment and real estate portfolios. On 22 March 2009, the QIA purchased the investment portfolios of 7 of the 9 domestic banks listed on the QSE at a total purchase price of approximately QAR 6.5 billion (U.S.\$1.8 billion) paid through a combination of cash and domestic Government bonds. This purchase price was equal to the value of such investment portfolios as registered in the records of each bank as of 28 February 2009. In an effort to further boost liquidity and encourage lending, in early June 2009, the QIA made a second round of investments and bought the real estate portfolios and investments of 9 domestic commercial banks at a sale price equivalent to the net book value of such portfolios and investments with a total ceiling amount of QAR 15.0 billion (U.S.\$4.1 billion). The total support to the banking sector, which includes purchases of investment and real estate portfolios in domestic banks as well as the equity injections, has been QAR 32.7 billion (U.S.\$9.0 billion).

The amount of credit extended by commercial banks to the private sector grew by 20 per cent. from QAR 353 billion at the end of 2014 to QAR 422.5 billion at the end of 2015. As at 31 December 2015, consumer credit accounted for 27.5 per cent. of total private sector credit extended by commercial banks, while credit extended to other sectors amounted to: real estate, 28.7 per cent.; general trade, 14 per cent.; services, 15.7 per cent.; and other sectors, 1.9 per cent. In the year to 31 December 2015, the amount of consumer credit increased by 16.9 per cent., credit extended to the real estate sector increased by 27.4 per cent., credit for general trade increased by 22.6 per cent. and credit to the services sector decreased by 6 per cent.

The level of "non-performing" commercial bank loans in Qatar was 1.9 per cent. in 2015, decreasing slightly from 2 per cent. in 2014. Under QCB regulations, non-performing loans are determined by reference to a range of indicators, and include loans that meet one of the following conditions for at least three months: (i) the customer is not able to meet its loan repayments and the loan is past due; (ii) other credit facilities of that customer are past due; (iii) the existing credit limits granted to that customer for its other credit facilities are not renewed; or (iv) a customer exceeds its agreed credit limit by 10 per cent. or more without prior authorisation. Commercial banks in Qatar categorise non-performing loans into three groups: sub-standard, doubtful and bad. Sub-standard loans are those that have not performed for three or more months, doubtful loans are those that have not performed for six or more months, and bad loans are those that have not performed for nine or more months. The QCB also obliges national banks to form a "risk reserve" from their net profits, which should not be less than 2.5 per cent. of the total direct credit facilities granted by the bank and its branches and subsidiaries inside and outside Qatar. This figure is calculated according to each bank's consolidated balance sheet, after deduction of the specific provisions, suspended interests and deferred profits for Islamic banks, with the exception of credit facilities extended to the Ministry of Finance, credit facilities guaranteed by the Ministry of Finance and credit facilities secured by cash collateral (with a lien on cash deposits).

The following table sets out the consolidated balance sheet of commercial banks operating in Qatar as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December		
	2013	2014	2015
	(in millions QAR )		
<b>Assets</b>			
<b>Reserves</b>			
Cash.....	3,136	3,754	3,953
Balances with the QCB. ....	31,388	39,862	33,481
<b>Foreign assets:</b>			
Cash. ....	1,244	2,614	2,737
Claims on foreign banks .....	68,553	80,820	81,365
Foreign credit. ....	42,319	63,679	87,930
Foreign Investment. ....	50,918	49,318	50,639
Other assets .....	278	80	260
<b>Domestic assets:</b>			
Due from Banks in Qatar .....	16,778	37,152	32,933
Domestic credit. ....	533,075	586,531	660,750
Domestic investments.....	146,892	125,447	141,751
Fixed assets .....	3,914	4,844	5,092

	As at 31 December		
	2013	2014	2015
	(in millions QAR )		
Other assets .....	11,576	10,669	11,839
<b>Total Assets .....</b>	<b>910,071.5</b>	<b>1,004,769.5</b>	<b>1,112,729</b>
<b>Liabilities</b>			
<b>Foreign liabilities:</b>			
Non-resident deposits .....	33,580	48,119	86,632
Due to Foreign banks .....	120,701	131,899	180,888
Debt securities .....	45,604	39,078	34,734
Other Securities .....	8,806	8,298	7,744
<b>Domestic liabilities:</b>			
Resident deposits .....	514,804	552,955	563,629
Due to domestic banks .....	15,471	34,672	32,717
Due to QCB .....	4,600	6,675	7,042
Debt securities .....	1,290	3,416	4,104
Margins .....	1,338	1,554	1,681
Capital accounts .....	110,931	118,081	124,318
Provisions .....	9,929	9,925	10,684
Unclassified liabilities .....	43,018	50,096	58,557
<b>Total liabilities .....</b>	<b>910,072</b>	<b>1,004,770</b>	<b>1,112,729</b>

Source: QCB December 2015 Quarterly Statistical Bulletin

The following table summarises the capital adequacy ratio and the ratio of non-performing loans to capital for the Qatari banking system as at 31 December 2013 to 2015.

	As at 31 December		
	2013	2014	2015
Capital adequacy ratio (per cent.) .....	16.0	16.3	15.6
Non-performing loans/capital (per cent.) .....	1.9	2.0	1.9

Source: QCB website — Bank's Performance Indicators.

The following table sets out the distribution of Qatari commercial bank credit facilities by economic activity as at 31 December 2015, 31 December 2014 and 31 December 2013.

	As at 31 December		
	2013	2014	2015
	(in millions QAR )		
<b>Public Sector .....</b>	<b>239,744.9</b>	<b>233,563.9</b>	<b>238,282.2</b>
Government .....	56,549.4	64,737.0	76,822.1
Government Institutions .....	152,516.4	140,426.8	140,148.0
Semi- Government Institution .....	30,679.1	28,400.1	21,312.1
<b>Private Sector .....</b>	<b>293,330.2</b>	<b>352,966.6</b>	<b>411,806</b>
General Trade .....	35,951.5	48,154.4	59,015.8
Industry .....	9,768.9	10,856.8	15,342.2
Contractors .....	23,331.4	30,367.4	37,543.8
Real Estate .....	85,388.2	95,142.3	121,214.2
Consumption .....	80,239.5	99,121.7	115,842.2
Services .....	51,869.9	62,082.3	65,752.6
Others Sectors .....	6,780.8	7,241.7	7,756.6
<b>Total Domestic Credit .....</b>	<b>533,075.1</b>	<b>586,530.5</b>	<b>660,749.6</b>
<b>Domestic Credit /GDP (%) .....</b>	<b>72.3</b>	<b>76.1</b>	<b>*</b>

Source: QCB December 2015 Quarterly Statistical Bulletin

\* data not yet available for 2015.

The following table sets out the breakdown of Qatari commercial bank deposits as at 31 December 2011 to 31 December 2015.

	As at 31 December				
	2011	2012	2013	2014	2015
	(QAR million)				
<b>Public sector:</b>					
<i>By term and currency:</i>					
<i>In Qatari riyal</i>					
Demand deposits.....	19,274.6	19,366.2	17,649.0	19,083.3	16,662.6
Time and savings deposits .....	47,655.1	53,060.3	68,630.7	64,526.9	67,749.3
<i>In foreign currencies</i>					
Demand deposits.....	25,101.1	18,522.3	18,538.0	15,404.9	9,978.0
Time and savings deposits .....	33,844.8	89,780.3	125,313.2	129,121.1	114,716.0
<i>By sector:</i>					
Government.....	40,824.6	44,444.7	68,294.0	59,252.3	53,278.4
Government institutions .....	57,350.9	104,378.1	124,389.7	129,608.9	116,896.1
Semi government institutions.....	27,700.1	31,906.3	37,447.2	39,275.0	38,931.4
<b>Total public sector deposits .....</b>	<b>125,875.6</b>	<b>180,729.1</b>	<b>230,130.9</b>	<b>228,136.2</b>	<b>209,105.9</b>
<b>Private sector:</b>					
<i>By term and currency:</i>					
<i>In Qatari riyal</i>					
Demand deposits.....	61,926.2	69,010.7	83,303.1	97,474.7	101,122.5
Time and savings deposits .....	131,942.2	142,011.2	161,526.9	177,305.0	190,073.3
<i>In foreign currencies</i>					
Demand deposits.....	11,823.2	10,561.2	14,386.9	16,307.8	16,173.9
Time and savings deposits .....	12,210.0	15,024.3	25,456.5	33,731.4	47,153.1
<i>By sector:</i>					
Personal .....	103,093.1	116,257.2	145,840.6	162,251.4	148,438.5
Companies and institutions .....	114,808.5	120,350.2	138,832.8	162,567.5	206,084.3
<b>Total private sector deposits.....</b>	<b>217,901.6</b>	<b>236,607.4</b>	<b>284,673.4</b>	<b>324,818.9</b>	<b>354,522.8</b>
<b>Non-resident deposits .....</b>	<b>19,835.2</b>	<b>40,729.1</b>	<b>33,579.5</b>	<b>48,119.1</b>	<b>86,632.2</b>
<b>Total deposits .....</b>	<b>363,612.4</b>	<b>458,065.6</b>	<b>548,383.8</b>	<b>601,074.2</b>	<b>650,260.9</b>

Source: QCB December 2015 Quarterly Statistical Bulletin

### ***Qatar Development Bank***

Qatar Development Bank ("QDB") was established by the Government in 1997, with contributions from national banks under the name of Qatar Industrial Development Bank. In 2006, QDB became a government-owned bank and the following year changed its name to Qatar Development Bank. QDB's main objective is to contribute to the development and diversification of economic and industrial investments in Qatar. QDB finances small and medium sized industrial projects and provides technical assistance and advice to industrialists for the implementation of their projects. QDB also provides consultancy services and financing for projects in the education, agriculture, fisheries, healthcare, animal resources and tourism sectors. As at 31 December 2014, QDB's paid up capital was QAR 5 billion.

### **Qatar Financial Centre**

The QFC is a financial and business centre established by the Government in 2005 with a view to attracting international financial services institutions and multinational corporations to Doha in order to grow and develop the market for financial services in the region. Unlike other financial centres in the region, the QFC is an onshore financial and business environment.

The QFC comprises: the QFC Authority (the "QFCA"), the QFCRA and the QFC Civil and Commercial Court and the QFC Tribunal. The QFCA determines the commercial strategy of the QFC and is responsible for legislation and compliance matters relating to the QFC legal environment. The QFCRA regulates, authorises, supervises and, when necessary, disciplines banking, securities, insurance and other financial businesses carried on in or from the QFC. The QFCRA also registers and supervises the directors and other designated officers of the businesses authorised by it. The QFCRA's regulatory approach is modelled closely on that of the UK's Financial Conduct Authority. The QFC Civil and

Commercial Court has jurisdiction over civil and commercial disputes arising between: (i) entities established within the QFC; (ii) employees or contractors employed by entities established in the QFC; (iii) QFC entities and residents of the State of Qatar if they elect such jurisdiction; and (iv) QFC institutions and entities established in the QFC. The QFC Tribunal hears appeals against decisions of the QFCRA, QFCA and other QFC institutions. The QFC Dispute Resolution Centre offers international arbitration and mediation services. The QFCA, QFCRA, the QFC Civil and Commercial Court and the Tribunal are all statutory independent bodies reporting to the Council of Ministers.

Firms operating under the QFC umbrella fall into two categories: those providing financial services, which are regulated activities, and those engaged in non-regulated activities in support of financial services. All QFC firms must apply to the QFCA for a business licence to conduct a permitted activity in or from the QFC. Firms planning to conduct regulated activities also need to apply to the QFCRA for authorisation. The operations of the Companies Registration Office are handled by the QFCA. The QFCA imposed a tax rate of 10 per cent. on local source business profits effective 1 January 2010. QFC entities which are 90 per cent. or more owned by Qatari nationals may be exempted from this tax rate.

Firms licensed by the QFCRA banking business firms are authorised to conduct banking businesses, including, amongst other things, deposit taking and credit services. Under the QFC's licensing policy, such firms are currently prohibited from conducting retail banking with, or on behalf of, retail customers unless they obtain authorisation from the QFCRA. Financial institutions authorised by the QFCRA as investment management and advisory firms will be authorised to conduct activities such as dealing in investments (as agent), managing investments and providing custody services, amongst other things (depending on the scope of authorisation).

#### **Principal regulator and collaborative regulatory approach**

Law No. 13 of 2012, which came into force in 2013, gave the Governor of the QCB ultimate responsibility for governance of the QFC. While the QFCRA continues to regulate QFC entities that offer financial services, the QCB and the QFCRA collaborate on strategic matters.

## TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### The Cayman Islands

Under existing Cayman Islands laws, payments on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. There are no income, corporation, capital gains or other taxes in effect in the Cayman Islands on the basis of present legislation.

The Issuer has obtained an undertaking from the Governor-in- Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (2011 Revision) of the Cayman Islands, that for a period of 20 years from 15 March 2016 no law which is enacted in the Cayman Islands imposing any tax to be levied on profit, income, gains or appreciation shall apply to the Issuer or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Notes) of the Issuer or by way of the withholding in whole or in part of any relevant payment (as defined in the Tax Concessions Law (2011 Revision)).

No capital, or stamp duties are levied in the Cayman Islands on the issue or redemption of Notes. Notes issued in bearer form are themselves stampable if executed in or brought into the Cayman Islands. An instrument of transfer in respect of a Note may be stampable if executed in or brought to the Cayman Islands. An annual registration fee is payable by the Issuer to the Cayman Islands Registrar of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### Qatar

*The following is a summary of the principal Qatari tax consequences of ownership of the Notes by beneficial owners who or which are not incorporated in or residents of Qatar for Qatari tax purposes and do not conduct business activities in Qatar ("Non-Qatari Holders"). This summary of taxation in Qatar is based upon: (i) Law No. 21 of the year 2009 (the "Income Tax Law"); (ii) the Executive Regulations of the Income Tax Law issued in June 2011 (the "Executive Regulations"), (iii) Circular No.2 of 2011 issued by the Qatar Ministry of Finance; and (iv) the published practices that have been adopted and applied by the Director of Public Revenues and Taxes Department at the Ministry of Finance in Qatar, each as in effect on the date of this Base Prospectus. This general description is subject to any subsequent change in Qatar tax law, regulations and practice that may come into force after such date.*

Under current Qatari law, taxes are levied on a taxpayer's income arising from activities in Qatar. However, payments made by the Issuer or the Guarantor to Non-Qatari Holders will not be subject to Qatari income taxes because such income tax does not apply to payments under the Notes and the Agency Agreement made to Non-Qatari Holders.

The Income Tax Law and the Executive Regulations of the Income Tax Law issued in June 2011 provide that any payment of interest and fees made in relation to bonds issued by a Qatari corporate entity will be subject to withholding tax, which will include the Issuer as an entity managed from Qatar and therefore considered as tax resident in Qatar. However, the Executive Regulations provide for certain exemptions to such application of withholding tax. Paragraph 2 of Article 21.4 of the Executive Regulations provides that: "interest on bonds and securities issued by the State and public authorities, establishments and corporations owned wholly or partly by the State" shall not be subject to withholding tax. As the Issuer and the Guarantor are presently partly owned by the State, they will be exempt from the requirement to withhold tax. If the Issuer and/or the Guarantor cease to be partly owned by the State the exemption at

Paragraph 2 of Article 21.4 of the Executive Regulations will cease to apply. The Guarantor would benefit from an exemption under Paragraph 3 of Article 21.4 of the Executive Regulations which provides that interest on transactions, facilities and loans with banks and financial institutions shall not be subject to withholding tax. Similarly, the Issuer would benefit from this exemption provided the interest is being paid to a bank or financial institution. However, the Issuer has agreed, and to the extent that the Guarantor may be called upon to perform its obligations under the Deed of Guarantee, the Guarantor has agreed, that all payments of principal and interest in respect of the Notes and/or the Deed of Guarantee will be made free and clear of withholding taxes payable in Qatar and the Issuer or the Guarantor, as the case may be, will be required to pay additional amounts in respect of any such withholding or deduction imposed by or on behalf of Qatar in certain circumstances. See *"Terms and Conditions of the Notes—Taxation"*.

Non-Qatari Holders will not be subject to tax in Qatar on any capital gains derived from a sale of Notes. Under current Qatari law, no Qatari stamp duty will be imposed on Non-Qatari Holders either upon the issuance of the Notes or upon a subsequent transfer of Notes.

### **The Proposed Financial Transactions Tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the **"Commission's Proposal"**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **"participating Member States"**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

### Summary of Dealer Agreement

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 6 February 2017 (the "**Dealer Agreement**") between the Issuer, ABQ, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer may pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer may agree to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

### Selling Restrictions

#### *United States*

The Notes and the Guarantee have not been and will not be registered under the Securities Act. Notes in bearer form having a maturity of more than one year are subject to U.S. federal tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or its possessions or to or for the account or benefit of U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Bearer Notes, other than Bearer Notes issued under circumstances in which the Notes will not constitute "registration-required obligations" under TEFRA, will be issued in accordance with the C Rules, or in accordance with the D Rules as specified in the Final Terms. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including the C Rules and the D Rules.

Each of the Dealers has represented and agreed that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes of any identifiable Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

#### *Public Offer Selling Restriction Under the Prospectus Directive*

In relation to each Member State of the EEA (each, a "**Relevant Member State**"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

- (ii) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (i) to (iii) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

### ***United Kingdom***

Each Dealer has represented and agreed that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or ABQ; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Cayman Islands***

Each Dealer has represented and agreed that it has not made and will not make any offer or invitation, whether directly or indirectly, to the public in the Cayman Islands to subscribe for any Notes.

### ***United Arab Emirates (excluding the Dubai International Financial Centre)***

Each Dealer has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### ***Dubai International Financial Centre***

Each Dealer has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

- (i) an "**Exempt Offer**" in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (ii) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

## ***Saudi Arabia***

No action has been or will be taken in Saudi Arabia that would permit a public offering of the Notes. Any investor in Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), made through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "**sophisticated investors**" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer represents and agrees that any offer of Notes to a Saudi Investor will be made in compliance with the KSA Regulations.

Investors are informed that Article 17 of the Regulations places restrictions on secondary market activity with respect to the Notes, including as follows:

- (a) a Saudi Investor (referred to as a "**transferor**") who has acquired Notes pursuant to a private placement may not offer or sell Notes to any person (referred to as a "**transferee**") unless the offer or sale is made through an authorised person where one of the following requirements is met:
  - (i) the price to be paid for the Notes in any one transaction is equal to or exceeds Saudi Riyals one million or an equivalent amount;
  - (ii) the Notes are offered or sold to a sophisticated investor; or
  - (iii) the Notes are being offered or sold in such other circumstances as the Capital Market Authority may prescribe for these purposes;
- (b) if the requirement of paragraph (a)(i) above cannot be fulfilled because the price of the Notes being offered or sold to the transferee has declined since the date of the original private placement, the transferor may offer or sell the Notes to the transferee if their purchase price during the period of the original private placement was equal to or exceeded Saudi Riyals 1 million or an equivalent amount;
- (c) if the requirement in paragraph (b) above cannot be fulfilled, the transferor may offer or sell Notes if he/she sells his entire holding of Notes to one transferee; and
- (d) the provisions of paragraphs (a), (b) and (c) above shall apply to all subsequent transferees of the Notes.

## ***Bahrain***

Each Dealer represents and agrees that it has not offered, and will not offer, Notes: (i) to the Public in the Kingdom of Bahrain except pursuant to the provisions of Articles 80-85 of the Central Bank of Bahrain and Financial Institutions Law; and (ii) except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "**accredited investor**" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

## ***Qatar***

Each Dealer has represented and agreed that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Notes in Qatar (including the QFC), except: (a) in compliance with all applicable laws and regulations of Qatar (including the QFC); and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar. This Base Prospectus has not been filed with, reviewed or approved by the QCB, the QFMA, QFCRA or any other relevant Qatar governmental body or securities exchange.

## ***Malaysia***

Each Dealer has represented and agreed that:

- (a) this Base Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia (the "SC") under the Capital Markets and Services Act 2007 of Malaysia ("CMSA"). While a copy of this Base Prospectus will be deposited with the SC, the SC takes no responsibility for its content; and
- (b) accordingly, the Notes have not been and will not be offered or sold, and no invitation to subscribe for or purchase the Notes has been or will be made, directly or indirectly, nor may any document or other material therewith be circulated or distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b) read together with, Schedule 8 or Section 257(3) of the CMSA, subject to any law, order, regulation, or official directive of the Central Bank of Malaysia, the SC and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Notes. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Notes as aforesaid without the necessary approvals being in place.

## ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## **General**

These selling restrictions may be modified by the agreement of the Issuer, ABQ and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has represented and agreed that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Base Prospectus, any other offering material or any Final Terms therefore in all cases at its own expense.

## GENERAL INFORMATION

- (1) This Base Prospectus has been approved by the Central Bank of Ireland as competent authority under the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the Main Securities Market or any other MiFID Regulated Markets or which are to be offered to the public in any Member State. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the Main Securities Market for the purposes of the Prospectus Directive.
- (2) Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to the Official List and admitted to trading on the Main Securities Market. It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Main Securities Market will be admitted separately as and when issued, subject only to the issue of a temporary or permanent Global Note (or one or more Certificates) in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 6 February 2017. Prior to official listing and admission to trading, however, dealings will be permitted by the Irish Stock Exchange in accordance with its rules. Transactions on the Main Securities Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may also be issued pursuant to the Programme.
- (3) Each of the Issuer and ABQ has obtained all necessary consents, approvals and authorisations in Qatar and the Cayman Islands in connection with the establishment and update of the Programme and the Guarantee. The establishment of the Programme was authorised by a resolution of the board of directors of the Issuer and passed on 22 March 2016. The update of the Programme was authorised by a resolution of the board of directors of the Issuer and passed on 5 February 2017. The establishment of the Programme and the giving of the Guarantee by ABQ was authorised by a resolution of the board of directors of ABQ and passed on 14 January 2016 and a resolution of the shareholders of ABQ and passed on 16 February 2016. The update of the Programme and the giving of the Guarantee by ABQ was authorised by a resolution of the board of directors of ABQ and passed on 1 February 2017.
- (4) There has been no significant change in the financial or trading position, or material adverse change in the prospects, of the Issuer since the date of its incorporation.

There has been no significant change in the financial or trading position of ABQ or of the Group since 31 December 2016. There has been no material adverse change in the prospects of ABQ or of the Group since 31 December 2016.
- (5) None of the Issuer, ABQ or any member of the Group has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or ABQ is aware) during the 12 months preceding the date of this Base Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer, ABQ or the Group.
- (6) Each Bearer Note having a maturity of more than one year, Coupon and Talon will bear the following legend: "ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE".
- (7) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.

- (8) There are no material contracts entered into other than in the ordinary course of the Issuer's or ABQ's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's or ABQ's ability to meet its obligations to Noteholders in respect of the Notes being issued.
- (9) Where information in this Base Prospectus has been sourced from third parties this information has been accurately reproduced and as far as the Issuer and ABQ is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- (10) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. Neither the Issuer nor ABQ intends to provide any post-issuance information in relation to any issues of Notes.
- (11) For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for physical inspection at the office of the Issuer and at the specified office of the Fiscal Agent:
  - (i) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons and the Talons);
  - (ii) the Deed of Covenant;
  - (iii) the Deed of Guarantee;
  - (iv) the Memorandum and Articles of Association of the Issuer and ABQ (with an English translation thereof if applicable);
  - (v) the audited consolidated financial statements of ABQ for the years ended 31 December 2016 and 31 December 2015, in each case, together with the audit reports prepared in connection therewith;
  - (vi) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer, ABQ and the Fiscal Agent as to its holding of Notes and identity); and
  - (vii) a copy of this Base Prospectus and any other documents incorporated herein or therein by reference together with any supplement to this Base Prospectus or further Base Prospectus.

This Base Prospectus and the Final Terms for Notes that are listed on the Official List and admitted to trading on the Main Securities Market will be published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

- (12) The auditors of the Guarantor are Deloitte and Touche, Qatar Branch (Deloitte), of Al Ahli Bank – Head Office Building, Suhaim Bin Hamad Street, Al Sadd Area, P.O. Box 431, Doha, Qatar ("**Deloitte**"). Deloitte were appointed by ABQ on 18 February 2015 to conduct the audit of ABQ for the year ended 31 December 2015 and on 16 February 2016 to conduct the audit of ABQ for the year ending 31 December 2016. Deloitte are registered under Ministry of Economy and Commerce license number 12877 appearing in the public register of approved auditing firms held by the Accounts Auditors section at the Ministry of Economy and Commerce.

Prior to 1 January 2015, the auditors of the Guarantor were KPMG, of 2nd Floor, Area 25, C Ring Road, P.O. Box 4473, Doha, Qatar. KPMG are registered under Ministry of Economy and Commerce license number 11031 appearing in the public register of approved auditing firms held by the Accounts Auditors section at the Ministry of Economy and Commerce.

- (13) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, the Guarantor and/or their respective subsidiaries and affiliates in the ordinary course of business for which they have and/or will receive fees and expenses.

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**Ahli Bank Q.S.C.**

**CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

# Ahli Bank Q.S.C.

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**RN: 000222/WS/FY2017**

**QR. 30010**

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of Ahli Bank**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Ahli Bank (the "Bank") and its subsidiaries (together the Group), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, 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 Bank in accordance with the International Ethics Standards Board for Accountants' Codes 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 and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

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

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How the matter was addressed in our audit
<p><b>Impairment of loans and advances to customers</b></p> <p>As at 31 December 2016, loans and advances to customers represent 70 percent (QR. 26.9 billion) of the Group's total assets.</p> <p>There is a risk that loans and advances to customers are impaired and no such reasonable impairment provisions are provided in accordance to requirements of International Financial Reporting Standards (IFRSs) and the applicable provisions of Qatar Central Bank regulations, considering the areas of management assumptions and judgments. Accordingly, loans and advances to customers might be with carrying amounts greater than estimated recoverable amounts.</p> <p>Refer to Notes 4b(iii), 5a(ii) &amp; 10 of the consolidated financial statements that provide details regarding the impairment of loans and advances to customers.</p>	<p>Assessed and tested the design and operating effectiveness of the relevant controls over loans and advances origination, monitoring, impairment data and calculations. In addition, IT controls for impairment systems were tested.</p> <p>Selecting samples of loans and advances to customers using our professional sampling techniques and any requirements prescribed by Qatar Central Bank, we checked whether there is an objective evidence that an impairment exists on these loans and advances and assessed the reasonableness of impairment provisions in accordance to the IFRS requirements and applicable provisions of Qatar Central Bank regulations. This included the considerations to direct and indirect default indicators as prescribed by Qatar Central Bank regulations and IFRS.</p> <p>We assessed whether the related disclosures of this area were adequate in accordance to requirements of International Financial Reporting Standards and Qatar Central Banks, as applicable.</p>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairment of Investment securities	How the matter was addressed in our audit
<p>As at 31 December 2016, investment securities represent 15 percent (QR. 5.6 billion) of the Group's total assets. As disclosed in Note 11 to the consolidated financial statements, the Bank's investment securities consist of available for sale and held to maturity financial assets. Available for sale financial assets are measured at fair value, while held to maturity financial assets are measured at amortised cost. Furthermore, the management consideration to impairment of available for sale and held to maturity financial assets was disclosed in Notes 3c(iii) &amp; 11.</p> <p>There is a risk is that investment securities are impaired and no such reasonable impairment losses are provided in accordance to requirements of International Financial Reporting Standards (IFRSs), and the applicable guidance of Qatar Central Bank regulations, considering the areas of management assumptions and judgments. Accordingly, investment securities might be with carrying amounts greater than estimated recoverable amounts.</p>	<p>Assessed and tested the design and operating effectiveness of the relevant controls over the investment securities impairment.</p> <p>Selecting samples of investment securities using our professional sampling techniques, we checked whether there is an objective evidence that an impairment exists on these investment securities and assessed the reasonableness of impairment losses in accordance to the IFRS requirements.</p> <p>We assessed whether the related disclosures of this area were adequate in accordance to requirements of International Financial Reporting Standards and Qatar Central Banks guidance, as applicable.</p>

### Other information

The Board of Directors is responsible for the other information. The other information comprises the Board of Directors Report which we obtained prior to the date of this auditors' report and the Annual Report, which is expected to be made available to us after the date of this auditor's report. The other information does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 of Directors is responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### **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 management.
- Conclude on the appropriateness of the management 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.
- 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.

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

We communicate with those charged with governance 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 those charged with governance 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 charged with governance, we determine those matters that were of most 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 are also of the opinion that proper books of account were maintained by the Group. We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the consolidated financial information included in the Board of Directors' report addressed to the General Assembly is in agreement with the books and records of the Group. To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Central Bank Law, Qatar Commercial Companies Law and the Bank's Articles of Association were committed during the year which would materially affect the Group's activities or its financial position.

**Doha – Qatar**  
**January 30, 2017**

**For Deloitte & Touche**  
**Qatar Branch**



**Walid Slim**  
**Partner**  
**License No. 319**

**Ahli Bank Q.S.C.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**QAR '000s**

<b>As at 31 December</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>			
Cash and balances with central bank	8	1,789,297	1,132,606
Due from banks	9	3,261,913	1,661,793
Loans and advances to customers	10	26,861,405	24,044,609
Investment securities	11	5,570,902	4,851,231
Property and equipment	12	275,186	262,758
Other assets	13	406,507	345,958
<b>TOTAL ASSETS</b>		<b>38,165,210</b>	<b>32,298,955</b>
<b>LIABILITIES</b>			
Due to banks	14	1,276,265	2,638,289
Certificate of deposits		2,237,629	1,549,900
Customer deposits	15	25,010,862	20,384,090
Debt Securities	16 (a)	1,810,625	-
Subordinated debt	16 (b)	182,000	182,000
Other borrowings	16 (c)	1,886,949	2,054,866
Other liabilities	17	900,681	949,455
<b>TOTAL LIABILITIES</b>		<b>33,305,011</b>	<b>27,758,600</b>
<b>EQUITY</b>			
Share capital	18 (a)	1,908,031	1,817,173
Legal reserve	18 (b)	1,525,796	1,462,621
Risk reserve	18 (c)	609,505	536,353
Fair value reserves	18 (d)	11,801	35,335
Retained earnings		805,066	688,873
<b>TOTAL EQUITY</b>		<b>4,860,199</b>	<b>4,540,355</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>38,165,210</b>	<b>32,298,955</b>

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



Sh. Faisal Bin Abdul-Aziz Bin Jassem Al Thani  
Chairman & Managing Director



Salah Murad  
Chief Executive Officer

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

**Ahli Bank Q.S.C.**  
**CONSOLIDATED STATEMENT OF INCOME**

**QAR '000s**

<b>For the year ended 31 December</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Interest income	19	<b>1,282,427</b>	1,119,556
Interest expense	20	<b>(547,359)</b>	(357,723)
<b>Net interest income</b>		<b>735,068</b>	761,833
<b>Net fee and commission income</b>	21	<b>168,789</b>	156,677
Foreign exchange gain	22	<b>17,070</b>	24,944
Income from investment securities	23	<b>31,173</b>	45,611
Other operating income	24	<b>6,560</b>	6,795
<b>Net operating income</b>		<b>958,660</b>	995,860
Staff costs	25	<b>(172,658)</b>	(173,823)
Depreciation	12	<b>(27,858)</b>	(22,602)
Net recoveries /(impairment loss) on loans and advances to customers	10 (c)	<b>10,819</b>	(15,428)
Net recoveries of legal cases	17 (i)	-	1,553
Impairment loss on investment securities	11 (c)	<b>(43,531)</b>	(45,297)
Other expenses	26	<b>(93,684)</b>	(92,543)
		<b>(326,912)</b>	(348,140)
<b>Profit for the year</b>		<b>631,748</b>	647,720
<b>Earnings per share</b>	27	<b>3.31</b>	3.39

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

**Ahli Bank Q.S.C.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****QAR '000s**

<b>For the year ended 31 December</b>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Profit for the year</b>		<b>631,748</b>	<b>647,720</b>
<b>Other comprehensive income for the year</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
<u>Available-for-sale financial assets:</u>			
Fair value loss during the year	18 (d)	(58,055)	(34,507)
Net amount of impairment transferred to profit or loss	18 (d)	43,531	34,077
Realised during the year	18 (d)	(9,065)	(14,072)
Amortised during the year on reclassification to loans and receivables	18 (d)	55	30
<b>Other comprehensive loss for the year</b>		<b>(23,534)</b>	<b>(14,472)</b>
<b>Total comprehensive income for the year</b>		<b>608,214</b>	<b>633,248</b>

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

Ahli Bank Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QAR '000s

For the year ended 31 December

Balance as at 1 January 2015

Total comprehensive income for the year

Profit for the year

Other comprehensive loss

Total comprehensive income for the year

Transfer to risk reserve

Transfer to legal reserve

Transfer to social and sports fund for the year

Transactions with equity holders, recognised directly in equity

Contributions by and distributions to equity holders:

Bonus issue

Dividend paid

Total contributions by and distributions to equity holders

Balance as at 31 December 2015

Note	Share capital	Legal reserve	Risk reserve	Fair value reserves	Retained earnings	Total equity
	1,651,975	1,397,849	491,498	49,807	579,967	4,171,096
	-	-	-	-	647,720	647,720
	-	-	-	(14,472)	-	(14,472)
	-	-	-	(14,472)	647,720	633,248
18 (c)	-	-	44,855	-	(44,855)	-
18 (b)	-	64,772	-	-	(64,772)	-
32	-	-	-	-	(16,193)	(16,193)
18 (a)	165,198	-	-	-	(165,198)	-
18 (e)	-	-	-	-	(247,796)	(247,796)
	165,198	-	-	-	(412,994)	(247,796)
	1,817,173	1,462,621	536,353	35,335	688,873	4,540,355

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

Ahli Bank Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) QAR '000s

For the year ended 31 December	Note	Share capital	Legal reserve	Risk reserve	Fair value reserves	Retained earnings	Total equity
Balance as at 1 January 2016		1,817,173	1,462,621	536,353	35,335	688,873	4,540,355
<b>Total comprehensive income for the year</b>							
Profit for the year		-	-	-	-	631,748	631,748
Other comprehensive loss		-	-	-	(23,534)	-	(23,534)
<b>Total comprehensive income for the year</b>		-	-	-	(23,534)	631,748	608,214
Transfer to risk reserve	18 (c)	-	-	73,152	-	(73,152)	-
Transfer to legal reserve	18 (b)	-	63,175	-	-	(63,175)	-
Transfer to social and sports fund for the year	32	-	-	-	-	(15,794)	(15,794)
<b>Transactions with equity holders, recognised directly in equity</b>							
Contributions by and distributions to equity holders:							
Bonus issue	18 (a)	90,858	-	-	-	(90,858)	-
Dividend paid	18 (e)	-	-	-	-	(272,576)	(272,576)
<b>Total contributions by and distributions to equity holders</b>		90,858	-	-	-	(363,434)	(272,576)
<b>Balance as at 31 December 2016</b>		<b>1,908,031</b>	<b>1,525,796</b>	<b>609,505</b>	<b>11,801</b>	<b>805,066</b>	<b>4,860,199</b>

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

For the year ended 31 December	Note	2016	2015
<b>Cash flows from operating activities</b>			
Profit for the year		631,748	647,720
<i>Adjustments for:</i>			
Net (recoveries)/ impairment loss on loans and advances to customers	10 (c)	(10,819)	15,428
Net recoveries for legal cases	17 (i)	-	(1,553)
Impairment loss on investment securities	11 (c)	43,531	45,297
Depreciation	12	27,858	22,602
Net gain on sale of available-for-sale securities	23	(24,006)	(32,541)
<i>Profit before changes in operating assets and liabilities</i>		<u>668,312</u>	<u>696,953</u>
Change in due from central bank		(83,834)	(53,195)
Change in loans and advances to customers		(2,804,670)	(2,763,324)
Change in other assets		(60,549)	(53,148)
Change in due to banks		(1,362,024)	110,663
Change in customer deposits		4,626,772	491,013
Change in certificate of deposit		687,729	(842,900)
Change in other liabilities		(64,568)	197,597
<b>Net cash from/(used in) operating activities</b>		<u>1,607,168</u>	<u>(2,216,341)</u>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(1,831,074)	(1,275,250)
Proceeds from sale of investment securities		1,067,037	1,341,754
Acquisition of property and equipment	12	(40,286)	(33,306)
<b>Net cash (used)/from investing activities</b>		<u>(804,323)</u>	<u>33,198</u>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of debt securities		1,810,625	-
(Repayment)/proceeds from other borrowings	16 (c)	(167,917)	578,284
Dividends paid		(272,576)	(247,796)
<b>Net cash from financing activities</b>		<u>1,370,132</u>	<u>330,488</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>2,172,977</u>	<u>(1,852,655)</u>
Cash and cash equivalents as at 1 January		<u>1,804,498</u>	<u>3,657,153</u>
<b>Cash and cash equivalents as at 31 December</b>	29	<u>3,977,475</u>	<u>1,804,498</u>
<b>Operational cash flows from interest and dividend</b>			
Interest received		1,265,364	1,103,570
Interest paid		500,621	330,705
Dividend received		7,167	13,070

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

**Ahli Bank Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the year ended 31 December 2016**

**1. REPORTING ENTITY**

Ahli Bank Q.S.C. ("the Bank") is an entity domiciled in the State of Qatar and was incorporated in 1983 as a public shareholding company under Emiri Decree no. 40 of 1983. The commercial registration of the Bank is 8989. The address of the Bank's registered office is Suhaim Bin Hamad Street, Al Sadd Area in Doha (P.O.Box 2309, Doha, State of Qatar). The consolidated financial statements of the Bank for the year ended 31 December 2016 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in corporate and retail banking and brokerage activities, and has 15 branches in Qatar.

The principal subsidiaries of the Bank is as follows:

Company's Name	Country of Incorporation	Company's Capital	Company's Activities	Percentage of ownership 2016	Percentage of ownership 2015
Ahli Brokerage Company S.P.C. (CR No 47943)	Qatar	QAR 50 million	Brokerage	100	100
ABQ Finance Limited	Cayman Islands	US \$ 1	Debt Issuance	100	-

Effective 15 June 2014, Amwal Q.S.C entered into an agreement with the Bank to transfer its role as Founder of Qatar Gate Fund-Class "Q" to the Bank with the approval of Qatar Central Bank.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

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

**(b) Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for the following material items on the consolidated statement of financial position, which are measured at fair value:

- derivatives;
- available-for-sale financial assets; and
- recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships.

**(c) Functional and presentation currency**

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

**(d) Use of estimates and judgments**

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. 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**

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

**(a) Basis of Consolidation**

**(i) Subsidiary**

Subsidiary is an investee controlled by the Group. The financial statement of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group 'controls' an investee if it is exposed to, or has right to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Group.

**(ii) Transactions eliminated on consolidation**

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(b) 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 that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot 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.

**(c) Financial assets and financial liabilities**

**(i) Recognition and initial measurement**

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

**(ii) Classification**

**Financial assets**

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

- loans and receivables;
- held to maturity;
- available-for-sale;

**Financial liabilities**

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

**(iii) Derecognition**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement ; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

**(c) Financial assets and financial liabilities (continued)**

**(iii) Derecognition (continued)**

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

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

**(iv) Offsetting**

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

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

**(v) 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. The calculation of effective interest rate includes all fees and points paid or received that are an 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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Fair values of derivatives represent quoted market prices or internal pricing models as appropriate.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5 (b) (i).

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

**(c) Financial assets and financial liabilities (continued)**

**(vi) Identification and measurement of impairment**

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.

In assessing collective impairment the Group uses historical loss experience (probability of default – PD), which is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based, loss given default (LGD) and loss identification factor. Further Group takes into consideration factors such as any deterioration in country risk, industry as well as identified structural weaknesses or deterioration in cash flows on assessing the collective impairment.

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

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

In subsequent periods, the appreciation of fair value of an impaired available-for-sale investment security is recorded in fair value reserves.

**(d) Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with 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.

**(e) Loans and advances to customers**

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

Loans and advances to customers 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either 'held to maturity' or 'available-for-sale'.

#### (i) 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 were carried at amortised cost using the effective interest method.

#### (ii) 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. Unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

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

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

A non-derivative financial asset is reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group had the intention and ability to hold that financial asset for the foreseeable future or until maturity.

#### (g) Derivatives

##### (i) Derivatives held for risk management purposes and hedge accounting

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

##### • Fair value hedges

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized immediately in the consolidated income statement. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and recognized in the consolidated income statement.

##### • Cash flow hedges

In relation to cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as cash flow hedge reserve in other comprehensive income. The gains or losses on cash flow hedges initially recognized in the consolidated statement of comprehensive income are transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognized in the consolidated statement of comprehensive income, are included in the initial measurement of the cost of the related asset or liability.

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

**(g) Derivatives (continued)**

**(i) Derivatives held for risk management purposes and hedge accounting (continued)**

• **Cash flow hedges (continued)**

For hedges which do not qualify for hedge accounting, any gains or losses arising in the fair value of the hedging instrument are taken directly to the consolidated income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires, is terminated or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognized as cash flow hedge reserve in other comprehensive income is held therein until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized as cash flow hedge reserve in other comprehensive income is transferred to the consolidated income statement.

**(ii) Derivatives held for trading purposes**

The Group's derivative trading instruments includes forward exchange contracts and interest rate and foreign currency swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, derivatives are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models as appropriate. The resulting gains or losses are included in the consolidated income statement.

**(h) Property and equipment**

**(i) 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

**(ii) Subsequent costs**

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

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 is not depreciated.

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

Buildings	20 years
Leasehold improvements	5 years
Furniture and equipment	3-7 years
Motor Vehicles	5 years

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Property and equipment (continued)

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

#### (i) Impairment of non-financial assets

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

Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

#### (j) 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.

#### (k) Financial guarantees

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

#### (l) Employee termination benefits and pension funds

##### *End of service gratuity plans-Defined benefits plan*

The Group provides for end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The provision of employees' end of service benefits is included in the other provisions within other liabilities.

##### *Pension and provident fund plan-Defined contribution plan*

Under Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(m) Share capital and reserves**

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

**(n) 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 a separate note.

**(o) Interest income and expense**

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

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

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- Fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items in fair value hedges of interest rate risk.

Interest income of investment securities is calculated on an effective interest basis are also included in interest income.

**(p) Fees and commission income and expense**

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

*Fee income earned from services that are provided over a certain period of time.*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

*Fee income from providing transaction services*

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, and brokerage fees. Loan syndication fees are recognised in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective rate as for the other participants.

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

**(q) 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.

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

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

**(r) Dividend income**

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

**(s) 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 period. 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.

**(t) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The chief executive officer is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

Income and expenses directly associated with each segment are included in determining operating segment performance.

**(u) Fiduciary activities**

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

**(v) Repossessed Collateral**

Repossessioned 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.

**(w) Comparatives**

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

**(x) Parent bank financial information**

Statement of financial position and income statement of the Parent bank, disclosed as supplementary information, is prepared following the same accounting policies as mentioned above except for; investment in subsidiary which are not consolidated and is carried at cost.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (y) Application of new and revised International Financial Reporting Standards (IFRSs)

##### New Standards and Amendments to Standards

The following amendments to IFRS and new IFRSs have been applied by the Group in preparation of these consolidated financial statements. The below were effective from 1 January 2016:

##### Standard

IFRS 14: Regulatory Deferral Accounts

Amendments to IFRS 11: Joint Arrangements: Accounting for Acquisition 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

Amendments to IAS 1: Presentation of financial statements relating to Disclosure Initiative

Amendments to IFRS 10, IFRS 12 and IAS 28: Applying the Consolidation Exception

Annual Improvements 2012 - 2014 Cycle

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

##### Standards issued but not yet effective

The below mentioned standards, interpretations and amendments to standards are not yet effective. The Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates.

	Effective Date
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01/January/2017
Amendments to IAS 7: Statement of cash flow – Disclosure Initiative	01/January/2017
IFRS 15: Revenue from Contracts with Customers	01/January/2018
IFRS 9: Financial Instruments	01/January/2018
IFRS 16: Leases	01/January/2019

The Group's management anticipates that these new standards and amendments will be adopted in the Bank's consolidated financial statements on their effective dates.

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

The application of IFRS 9 may have an 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 requirements, and hence it is not practical to disclose a reliable quantitative impact until the implementation programme is further advanced.

With regard to other standards and amendments, management anticipates that the adoption of them in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application. However, management have not yet performed a detailed analysis of the impact of the application of these standards and amendments and hence have not yet quantified the extent of the impact.

#### 4. FINANCIAL RISK MANAGEMENT

##### (a) Introduction and Overview

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

##### **Risk Management**

###### **Introduction**

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. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit, liquidity, market, including trading and non-trading, and operational 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.

###### • **Risk Management Structure**

The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

###### • **Executive Committee**

The Executive Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and managing and monitoring relevant risk decisions.

###### • **Risk Management Department**

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group. Each business group has a decentralised department which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This function also ensures the complete capture of the risks in risk measurement and reporting systems.

###### • **Treasury**

Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure, as laid down by the Asset Liability Committee (ALCO) from time to time.

###### • **Internal Audit**

Risk management processes throughout the Group are audited annually by the Internal Audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Introduction and Overview (continued)**

**Risk Management (continued)**

*Risk measurement and reporting systems*

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is 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, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors and the Executive Committee.

The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for impairment on a quarterly basis.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business departments have access to necessary and up-to-date information.

Frequent briefing is given to the senior management and all other relevant members of the Group on the utilization of market limits, analysis of VaR, proprietary investments and liquidity, plus any other risk developments.

*Risk mitigation*

As part of its overall risk management strategy, the Group 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 any hedging transactions, which are authorised by the appropriate approval authority mechanism within the Group. The effectiveness of hedges is assessed by the Treasury and senior management (based on economic considerations too rather than purely the IFRS hedge based accounting regulations). The effectiveness of all the hedge relationships is monitored by Risk quarterly at each reporting period. In cases of ineffectiveness, the Group will continuously monitor the expected performance of the hedge and take mitigating action such as re-hedging wherever necessary to make the hedge more effective on the underlying instrument concerned.

The Group actively uses collaterals to reduce its credit risks (see Note 4. (b) Credit risk below for more detail).

*Excessive risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Introduction and Overview (continued)**

**Risk Management (continued)**

*Excessive risk concentration (continued)*

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. In the case of derivatives this is limited to positive fair values. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments, affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends 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 as follows:

- For securities lending and reverse repurchase transactions, cash or securities,
- For commercial lending, mortgages over real estate properties, inventory, trade receivables, cash and securities.
- For retail lending, mortgages over residential properties, cash or securities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

The Group also obtains corporate guarantees from parent companies for loans, advances and financing activities to their subsidiaries.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	2016	2015
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central bank	1,684,690	1,054,850
Due from banks	3,261,913	1,661,793
Loans and advances to customers	26,861,405	24,044,609
Investment securities - debt	5,468,965	4,614,155
Other assets	193,670	184,708
<b>Total as at 31 December</b>	<b>37,470,673</b>	<b>31,560,115</b>
Other credit risk exposures are as follows:		
Contingent liabilities	8,034,584	7,334,467
Unutilized facilities	9,928,537	11,277,335
<b>Total as at 31 December</b>	<b>17,963,121</b>	<b>18,611,802</b>
<b>Total Credit risk exposure</b>	<b>55,433,794</b>	<b>50,171,917</b>

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorized by geographical region.

	Qatar	Other GCC	Europe	Rest of the world	Total
<b>At 31 December 2016</b>					
Balances with central bank	1,684,690	-	-	-	1,684,690
Due from banks	1,543,331	520,458	534,078	664,046	3,261,913
Loans and advances to customers	26,796,296	65,109	-	-	26,861,405
Investment securities – Debt	4,947,674	486,209	-	35,082	5,468,965
Other assets	193,670	-	-	-	193,670
<b>Total</b>	<b>35,165,661</b>	<b>1,071,776</b>	<b>534,078</b>	<b>699,128</b>	<b>37,470,643</b>

Other credit risk exposure are as follows:

Guarantees and letters of credit	7,911,833	22,555	29,302	70,894	8,034,584
Unutilized facilities	9,928,537	-	-	-	9,928,537
<b>Total</b>	<b>17,840,370</b>	<b>22,555</b>	<b>29,302</b>	<b>70,894</b>	<b>17,963,121</b>

	Qatar	Other GCC	Europe	Rest of the world	Total
<b>At 31 December 2015</b>					
Balances with central bank	1,054,850	-	-	-	1,054,850
Due from banks	675,415	378,164	496,319	111,895	1,661,793
Loans and advances to customers	23,979,397	65,212	-	-	24,044,609
Investment securities – Debt	4,130,921	448,346	-	34,888	4,614,155
Other assets	184,708	-	-	-	184,708
<b>Total</b>	<b>30,025,291</b>	<b>891,722</b>	<b>496,319</b>	<b>146,783</b>	<b>31,560,115</b>

Other credit risk exposure are as follows:

Guarantees and letters of credit	7,286,171	27,182	16,149	4,965	7,334,467
Unutilized facilities	11,277,335	-	-	-	11,277,335
<b>Total</b>	<b>18,563,506</b>	<b>27,182</b>	<b>16,149</b>	<b>4,965</b>	<b>18,611,802</b>

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Industry sectors

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

	Gross exposure 2016	Gross exposure 2015
Government	5,470,038	3,281,636
Government agencies	1,793,890	2,281,587
Industry	941,290	844,920
Commercial	11,771,734	8,946,038
Services	7,357,867	6,058,549
Contracting	2,526,575	2,271,605
Real estate	4,378,028	4,197,011
Personal	3,231,221	3,678,769
Contingent liabilities and utilized facilities	17,963,121	18,611,802
	<u>55,433,794</u>	<u>50,171,917</u>

Credit risk exposure

The Group's internal rating scale and mapping to the table below are as follows:

Bank's rating	Description of the grade	Mapping
Grade A	Low risk – excellent	High grade
Grade B	Standard/satisfactory risk	Standard grade
Grade C	Sub-standard – watch	Watch list/impaired
Grade D	Doubtful	Watch list/impaired
Grade E	Bad debts	Watch list/impaired

	2016	2015
Equivalent grades		
High Grade	10,615,170	9,156,977
Standard Grade	44,780,126	40,964,183
Watch List or Impaired	38,498	50,757
	<u>55,433,794</u>	<u>50,171,917</u>

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality

	Loans and advances to customers		Due from banks		Investment securities – debt	
	2016	2015	2016	2015	2016	2015
<b>Neither past due nor impaired (low risk):</b>						
High and standard grade	25,178,900	21,828,526	3,261,913	1,661,793	-	-
	<u>25,178,900</u>	<u>21,828,526</u>	<u>3,261,913</u>	<u>1,661,793</u>	<u>-</u>	<u>-</u>
<b>Past due but not impaired</b>						
Standard Grade/satisfactory risk	1,692,807	2,214,126	-	-	-	-
<i>Carrying amount</i>	<u>1,692,807</u>	<u>2,214,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Watch list or Impaired</b>						
Substandard and doubtful (overdue upto 9 months)	132,039	159,086	-	-	-	-
Loss (overdue > 9 months)	194,071	222,938	-	-	-	-
	<u>326,110</u>	<u>382,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: impairment allowance-specific	(287,612)	(331,267)	-	-	-	-
Less: impairment allowance-Collective	(48,800)	(48,800)	-	-	-	-
	<u>26,861,405</u>	<u>24,044,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Carrying amount – net</i>	<u>26,861,405</u>	<u>24,044,609</u>	<u>3,261,913</u>	<u>1,661,793</u>	<u>-</u>	<u>-</u>
<b>Investment securities - debt</b>						
Held to maturity	-	-	-	-	1,319,332	421,341
Available for sale	-	-	-	-	4,150,965	4,201,140
Less: impairment allowance	-	-	-	-	(1,332)	(8,326)
<i>Carrying amount – net</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,468,965</u>	<u>4,614,155</u>
<b>Total carrying amount</b>	<u>26,861,405</u>	<u>24,044,609</u>	<u>3,261,913</u>	<u>1,661,793</u>	<u>5,468,965</u>	<u>4,614,155</u>

**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 agreement(s).

**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.

	2016	2015
Up to 60 days	1,636,563	2,156,760
61 – 90 days	56,244	57,366
<b>Gross</b>	<u>1,692,807</u>	<u>2,214,126</u>

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Credit risk (continued)**

**(iv) 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's 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 standardised loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 43,005 thousands (2015: QAR 1,856 thousands).

**(c) Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for derivatives etc. Such outflows would deplete available cash resources for client lending, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil lending commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

**(i) Management of liquidity risk**

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

In addition, the Group maintains 4.75% of average customer deposits as a mandatory deposit with Qatar Central Bank.

The Group's Asset and Liability Committee (ALCO) monitors the maturity profile on an overall basis with ongoing liquidity monitoring by the Treasury.

**Ahli Bank Q.S.C.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**As at and for the year ended 31 December 2016**

**QAR'000s**

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk (continued)**

**(ii) Maturity analysis (including all assets and liabilities)**

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
<b>31 December 2016</b>						
Cash and balances with central bank	1,789,297	1,018,939	442,246	327,632	480	-
Due from banks	3,261,913	2,827,693	434,220	-	-	-
Loans and advances to customers	26,861,405	1,031,062	2,317,544	5,790,094	11,589,175	6,133,530
Investment securities	5,570,902	121,893	280,180	1,032,028	3,098,001	1,038,800
Property and equipment	275,186	-	-	-	-	275,186
Others assets	406,507	39,725	194,330	39,771	-	132,681
<b>Total</b>	<b>38,165,210</b>	<b>5,039,312</b>	<b>3,668,520</b>	<b>7,189,525</b>	<b>14,687,656</b>	<b>7,580,197</b>
Due to banks	1,276,265	819,517	456,748	-	-	-
Certificate of deposits	2,237,629	509,821	1,245,808	482,000	-	-
Customer deposits	25,010,862	7,066,681	10,301,375	7,631,630	11,176	-
Debt Securities	1,810,625	-	-	-	1,810,625	-
Subordinated debt	182,000	-	-	-	182,000	-
Other borrowings	1,886,949	-	-	-	1,886,949	-
Other liabilities	900,681	147,263	396,081	168,709	104,940	83,688
Equity	4,860,199	-	-	-	-	4,860,199
<b>Total</b>	<b>38,165,210</b>	<b>8,543,282</b>	<b>12,400,012</b>	<b>8,282,339</b>	<b>3,995,690</b>	<b>4,943,887</b>
<b>Difference</b>	<b>-</b>	<b>(3,503,970)</b>	<b>(8,731,492)</b>	<b>(1,092,814)</b>	<b>10,691,966</b>	<b>2,636,310</b>

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
<b>31 December 2015</b>						
Cash and balances with central bank	1,132,606	549,513	321,027	222,523	39,543	-
Due from banks	1,661,793	1,172,878	488,915	-	-	-
Loans and advances to customers	24,044,609	1,151,143	2,054,691	3,277,522	8,890,712	8,670,541
Investment securities	4,851,231	249,400	75,000	247,148	4,044,105	235,578
Property and equipment	262,758	-	-	-	-	262,758
Others assets	345,958	45,345	166,264	1,490	178	132,681
<b>Total</b>	<b>32,298,955</b>	<b>3,168,279</b>	<b>3,105,897</b>	<b>3,748,683</b>	<b>12,974,538</b>	<b>9,301,558</b>
Due to banks	2,638,289	2,244,409	248,280	145,600	-	-
Certificate of deposits	1,549,900	1,395,582	154,318	-	-	-
Customer deposits	20,384,090	8,376,999	6,610,613	4,582,203	814,275	-
Subordinated debt	182,000	-	-	-	182,000	-
Other borrowings	2,054,866	-	-	-	2,054,866	-
Other liabilities	949,455	154,953	413,563	257,316	92,646	30,977
Equity	4,540,355	-	-	-	-	4,540,355
<b>Total</b>	<b>32,298,955</b>	<b>12,171,943</b>	<b>7,426,774</b>	<b>4,985,119</b>	<b>3,143,787</b>	<b>4,571,332</b>
<b>Difference</b>	<b>-</b>	<b>(9,003,664)</b>	<b>(4,320,877)</b>	<b>(1,236,436)</b>	<b>9,830,751</b>	<b>4,730,226</b>

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (financial liabilities and derivatives)

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
<b>31 December 2016</b>							
<b>Non-derivative financial liabilities</b>							
Due to banks	1,276,265	1,278,514	821,045	457,469	-	-	-
Certificate of deposits	2,237,629	2,247,602	513,888	1,250,037	483,677	-	-
Customer deposits	25,010,862	25,159,852	7,072,491	10,341,113	7,734,392	11,856	-
Debt securities	1,810,625	2,093,401	5,498	10,996	49,481	2,027,426	-
Subordinated debt	182,000	187,069	431	819	185,819	-	-
Other borrowings	1,886,949	1,989,678	3,624	6,900	32,159	1,946,995	-
<b>Total</b>	<b>32,404,330</b>	<b>32,956,116</b>	<b>8,416,977</b>	<b>12,067,334</b>	<b>8,485,528</b>	<b>3,986,277</b>	<b>-</b>

**Derivative financial instruments**

Risk Management:

Outflow	5,528,551	2,662,757	1,209,501	1,600,516	55,777	-
Inflow	(5,504,416)	(2,646,357)	(1,215,584)	(1,598,347)	(44,128)	-
	<b>32,980,251</b>	<b>8,433,377</b>	<b>12,061,251</b>	<b>8,487,697</b>	<b>3,997,926</b>	<b>-</b>

	Carrying Amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
<b>31 December 2015</b>							
<b>Non-derivative financial liabilities</b>							
Due to banks	2,638,289	2,640,082	2,245,526	248,638	145,918	-	-
Certificate of deposits	1,549,900	1,551,047	1,396,403	154,644	-	-	-
Customer deposits	20,384,090	20,456,151	8,402,691	6,622,919	4,612,828	817,713	-
Subordinated debt	182,000	191,618	410	1,191	3,241	186,776	-
Other borrowings	2,054,866	2,151,364	3,025	5,758	26,937	2,115,644	-
<b>Total</b>	<b>26,809,145</b>	<b>26,990,262</b>	<b>12,048,055</b>	<b>7,033,150</b>	<b>4,788,924</b>	<b>3,120,133</b>	<b>-</b>

**Derivative financial instruments**

Risk Management:

Outflow	6,783,050	3,638,238	1,076,643	1,985,592	82,577	-
Inflow	(6,753,606)	(3,634,964)	(1,072,886)	(1,978,940)	(66,816)	-
	<b>27,019,706</b>	<b>12,051,329</b>	<b>7,036,907</b>	<b>4,795,576</b>	<b>3,135,894</b>	<b>-</b>

(d) Market risks

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as interest rates commodities prices, foreign exchange rates and equity prices.

(i) Management of market risks

The Group manages its market risks within the regulatory framework of limits defined by the Qatar Central Bank. Setting the internal framework for the management of market risks and ensuring compliance with this methodology is the responsibility of the Asset and Liability Committee (ALCO) which consists of senior management including members of the Risk management function. The Group is exposed to interest rate risk created as a result of assets and liabilities mismatch or off balance sheet instruments that mature or reprice over a given period.

Both interest rate gaps and foreign exchange rate fluctuations are managed within the prescribed board limits. All risk exposures are monitored and reported on a daily basis to senior management and any breaches are escalated immediately. In addition all trading activity is continuously being monitored at ALCO level.

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risks (continued)**

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

The Group utilizes the widely used Value-at-Risk ( VaR ) methodology to capture and control market risks which is popular globally since it encapsulates all known market risks such as volatility changes, correlation effects into a single unit of measurement and a limit can be assigned against it for control purposes. The Group calculates the VaR metric on a daily basis for both trading purposes (1Day VaR) and regulatory purposes (10 Day VaR), which are monitored against set limits.

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

	At 31 December	Average	Maximum	Minimum
<b>2016</b>				
Foreign currency risk	(27,748)	(23,889)	(73,747)	(101)
Interest rate risk	(14)	(12)	(65)	(1)
Covariance	(4,679)	(3,350)	(6,474)	(692)
Overall	<u>(32,441)</u>	<u>(27,251)</u>	<u>(80,286)</u>	<u>(794)</u>
<b>2015</b>				
Foreign currency risk	(2,412)	(8,305)	(287)	(26,018)
Interest rate risk	-	(4)	-	(95)
Covariance	(466)	(264)	(34)	(916)
Overall	<u>(2,878)</u>	<u>(8,573)</u>	<u>(321)</u>	<u>(27,029)</u>

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

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

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market 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 central Treasury in its day-to-day monitoring activities.

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(d) Market risks (continued)**

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

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

	Carrying amount	Less than 3 months	3-12 months	Repricing in: 1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate
<b>2016</b>							
Cash and balances with central bank	1,789,297	460,000	-	-	-	1,329,297	
Due from banks	3,261,913	2,845,425	379,230	-	-	37,258	0.80%
Loans and advances to customers	26,861,405	6,251,913	19,772,353	633,451	142,842	60,846	4.32%
Investment securities	5,570,902	402,073	1,032,028	3,098,001	936,863	101,937	3.77%
Property and equipment	275,186	-	-	-	-	275,186	
Other assets	406,507	-	-	-	-	406,507	
	<b>38,165,210</b>	<b>9,959,411</b>	<b>21,183,611</b>	<b>3,731,452</b>	<b>1,079,705</b>	<b>2,211,031</b>	
Due to banks	1,276,265	1,260,071	-	-	-	16,194	1.27%
Certificate of deposits	2,237,629	1,755,629	482,000	-	-	-	1.73%
Customer deposits	25,010,862	16,036,915	6,063,922	11,176	-	2,898,849	1.85%
Debt securities	1,810,625	-	-	1,810,625	-	-	3.79%
Subordinated debt	182,000	182,000	-	-	-	-	2.81%
Other borrowings	1,886,949	1,886,949	-	-	-	-	2.42%
Other liabilities	900,681	-	-	-	-	900,681	
Equity	4,860,199	-	-	-	-	4,860,199	
	<b>38,165,210</b>	<b>21,121,564</b>	<b>6,545,922</b>	<b>1,821,801</b>	<b>-</b>	<b>8,675,923</b>	
Statement of financial position items		(11,162,153)	14,637,689	1,909,651	1,079,705	(6,464,892)	
Off statement of financial position items		(1,032,640)	36,400	996,240	-	-	
<b>Interest rate sensitivity gap</b>		<b>(12,194,793)</b>	<b>14,674,089</b>	<b>2,905,891</b>	<b>1,079,705</b>	<b>(6,464,892)</b>	
<b>Cumulative Interest rate sensitivity gap</b>		<b>(12,194,793)</b>	<b>2,479,296</b>	<b>5,385,187</b>	<b>6,464,892</b>	<b>-</b>	

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

	Carrying amount	Less than 3 months	Repricing in: 3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate
2015							
Cash and balances with central bank	1,132,606	-	-	-	-	1,132,606	-
Due from banks	1,661,793	1,633,303	-	-	-	28,490	0.57%
Loans and advances to customers	24,044,609	8,166,336	13,736,012	1,829,182	209,521	103,558	4.23%
Investment securities	4,851,231	324,400	247,147	3,807,030	235,578	237,076	3.65%
Property and equipment	262,758	-	-	-	-	262,758	-
Other assets	345,958	-	-	-	-	345,958	-
	32,298,955	10,124,039	13,983,159	5,636,212	445,099	2,110,446	
Due to banks	2,638,289	2,425,662	145,600	-	-	67,027	1.10%
Certificate of deposits	1,549,900	1,549,900	-	-	-	-	1.19%
Customer deposits	20,384,090	13,180,201	3,995,677	809,674	-	2,398,538	1.41%
Subordinated debt	182,000	182,000	-	-	-	-	2.37%
Other borrowings	2,054,866	1,781,866	273,000	-	-	-	1.77%
Other liabilities	949,455	-	-	-	-	949,455	-
Equity	4,540,355	-	-	-	-	4,540,355	-
	32,298,955	19,119,629	4,414,277	809,674	-	7,955,375	
Statement of financial position items		(8,995,590)	9,568,882	4,826,538	445,099	(5,844,929)	
Off statement of financial position items		(1,088,360)	-	1,088,360	-	-	
Interest rate sensitivity gap		(10,083,950)	9,568,882	5,914,898	445,099	(5,844,929)	
Cumulative Interest rate sensitivity gap		(10,083,950)	(515,068)	5,399,830	5,844,929		

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

**Sensitivity analysis**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement and equity.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the interest sensitive non-trading financial assets and financial liabilities held at 31 December 2016, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of swaps designated as cash flow hedges at 31 December 2016 for the effects of the assumed changes in interest rates and based on the assumption that there are parallel shifts in the yield curve. The effect of decreases in interest rates is expected to have an equal and opposite effect of the increases shown.

		<i>Sensitivity of net interest income</i>		<i>Sensitivity of equity</i>	
	<i>Change in basis points</i>	2016	2015	2016	2015
<i>Currency</i>					
Qatari Riyal	25	20,804	21,069	-	-
US Dollar	25	2,149	6,719	3,076	5,006

(iv) Exposure to currency risk – non-trading portfolios

**Foreign currency transactions**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group takes an exposure to the effect of fluctuation in prevailing foreign currency exchange rates on its consolidated financial position. The Board of Directors has set limits on the level of currency exposure, which are monitored daily.

The Group had the following net open positions at the year end:

**Functional currency of Group entities**

	2016	2015
Net foreign currency exposure:		
Pounds Sterling	(24)	(78)
Euro	952	(6,126)
USD	(2,311,177)	(4,104,166)
Other currencies	79,827	83,863
Total	(2,230,422)	(4,026,507)

The others above include an exposure to Egyptian Pounds (EGP) amounting to QAR 25,921 thousand (2015: QAR 60,098 thousand). This exposure arises from the Group's strategic investment made in 2006.

The Group manages its currency exposures within limits laid down by the Board of Directors. Intra-day and overnight limits are laid down for each currency individually and in total. The Qatar Riyal is pegged to the US Dollar. Although the Group is not exposed to any currency risk due to the peg, limits are set for US Dollar exposures. All other currency exposures are limited and the Group is not significantly exposed to the other currencies.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(iv) Exposure to currency risks – non-trading portfolios (continued)

Sensitivity Analysis

	Increase / (decrease) in profit or loss		Increase / (decrease) in other comprehensive income	
1% change in currency exchange rate	2016	2015	2016	2015
Pound Sterling	1	1	-	-
Euro	10	61	-	-
USD	-	-	-	-
Other currencies	539	238	259	601

(v) Exposure to equity price risks – non-trading portfolios

Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. The Board has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Group's Credit and Investment Committee. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity, as a result of a change in the fair value of equity instruments held as available-for-sale investments at the year end, due to change in equity indices, with all other variables held constant, is as follows:

	Change in Equity price %	Effect on equity 2016	Effect on Equity 2015
<i>Market index</i>			
Qatar Exchange	10%	5,362	15,380

(e) Operational risks

Operational Risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank manages its Operational Risk primarily through the Board approved Operational Risk Framework (ORF) consisting of the Operational Risk Policy (ORP) and the Operational Risk Committee (ORC), which has representation across all departments. The Bank utilizes a Basel III compliant approach known as 'Operational Risk Self-Assessment' (ORSA) process to assess, document and report the operational risks encountered in the course of normal business activity.

The ORC approves the ORSA annually and reviews operational risks faced by various functions in the Bank on a regular basis throughout the year to track the status of open risks and pursuing appropriate controls wherever necessary. The ORSA process for 2016/2017 has been approved in Dec 2016. Furthermore both compliance and internal audit perform independent periodic reviews to assess adequacy of check and controls at any given point in time.

The Bank has a robustly documented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP). These documents outline the procedures to be followed in a disaster scenario. The BCP aims to establish the level of impact upon the Bank's business activity of having to operate from a different site in the event of an emergency or natural disaster. This includes access to critical computer systems, connectivity to local area network, database servers, internet, intranet and e-mails etc. This is a well-established process and takes place periodically throughout the year and its completion is signed off by all concerned departments to confirm tests were successfully carried out by them as well as a report circulated to all ORC members for their comments and reference. Both the BCP & DR processes were independently audited by external auditors as per QCB requirements and were found to be thorough and well implemented.

Basic firefighting training is provided to staff fire wardens periodically with the assistance of Civil Defense Authority. An evacuation drill is normally conducted annually as part of safety and security procedures across the branches network.

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)****(f) Capital management****Regulatory capital**

The primary objectives of the Group's capital management are 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 maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

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 Qatar Central Bank. The following table summarises the capital adequacy of the Group under Basel III requirements:

	2016	2015
Common Equity Tier 1 (CET1) capital	4,669,396	4,267,779
Tier 2 capital	48,800	85,200
Total eligible capital	4,718,196	4,352,979
Total risk weighted assets	30,201,144	26,788,912
CET1/Tier 1 Ratio	15.46	15.9
Total Capital Ratio	15.62	16.3

The minimum accepted Capital Adequacy Ratio under Basel III as per Qatar Central Bank Requirements are as follows:

Minimum limit without Capital Conservation Buffer is 10%.

Minimum limit including Capital Conservation Buffer is 12.5%.

**Risk weighted assets and carrying amounts**

	2016	2015	2016	2015
	Basel III Risk	Basel III Risk	Carrying	Carrying
	weighted amount	weighted amount	amount	amount
Cash and balances with central bank	-	-	1,789,297	1,132,606
Due from banks	722,812	293,115	3,261,913	1,661,793
Loans and advances to customers	26,101,931	23,184,090	26,861,405	24,044,609
Investment securities	741,999	927,240	5,570,902	4,851,231
Other assets	797,789	608,716	681,693	608,716
Total risk weighted assets for credit risk	28,364,531	25,013,161	38,165,210	32,298,955
Risk weighted assets for market risk	80,779	83,863		
Risk weighted assets for operational risk	1,755,834	1,691,888		
	30,201,144	26,788,912		

	2016	2015
Risk weighted assets	30,201,144	26,788,912
Regulatory capital	4,718,196	4,352,979
Regulatory capital as a percentage of Risk weighted assets (Capital ratio)	15.62%	16.3%

**5. USE OF ESTIMATES AND JUDGMENTS**

**(a) Key sources of estimation uncertainty**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**(i) Going concern**

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

**(ii) Impairment losses on loans, advances and financing activities to customers**

The Group reviews its individually significant loans, advances and financing activities to customers at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups). Furthermore, management complies with all applicable provisions of Qatar Central Bank regulations in this regard.

**(iii) 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.

**(iv) Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are taken from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs, such as volatility, discount rates etc.

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

**(i) Valuation of financial instruments**

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

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

**5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)****(b) Critical accounting judgements in applying the Group's accounting policies (continued)****(i) Valuation of financial instruments (continued)****Financial instruments measured at fair value – Fair value hierarchy**

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

	Level 1	Level 2	Level 3	Total
<b>31 December 2016</b>				
Derivative assets held for risk management	-	40,719	-	40,719
Investment securities	2,721,619	1,483,030	-	4,204,649
	<u>2,721,619</u>	<u>1,523,749</u>	<u>-</u>	<u>4,245,368</u>
Derivative liabilities held for risk management	-	61,467	-	61,467
	<u>-</u>	<u>61,467</u>	<u>-</u>	<u>61,467</u>
<b>31 December 2015</b>				
Derivative assets held for risk management	-	8,550	-	8,550
Investment securities	2,865,761	1,483,030	-	4,348,791
	<u>2,865,761</u>	<u>1,491,580</u>	<u>-</u>	<u>4,357,341</u>
Derivative liabilities held for risk management	-	38,274	-	38,274
	<u>-</u>	<u>38,274</u>	<u>-</u>	<u>38,274</u>

All unquoted available for sale equity investments amounting to QAR 46,921 thousands (2015: QAR 81,099 thousands) are recorded at cost since the fair value cannot be reliably measured.

During the year ending 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial investments in Level 2 above include Qatar Government Bonds amounting to QAR 283,030 thousands, (2015: QAR 283,030 thousands) which were issued in lieu of sale of certain real estate loans and equity investments listed in Qatar Exchange to the Government of Qatar.

**Financial instruments not measured at fair value**

The following financial instruments which are not measured at fair value are not being included in fair value hierarchy, as carrying amount is a reasonable approximation of fair value, except for Investment securities classified as held to maturity which the fair value amounts to QAR 1,304,820 thousands (2015 : QAR 420,390 thousands), which is derived using level 1.

The fair value of the following financial instruments approximate their carrying values:

**Financial assets**

Cash and balances with Qatar Central Bank

Due from banks and other financial institutions

Loans, advances and financing activities to customers

**Financial liabilities**

Due to banks, Qatar Central Bank and other financial institutions

Customer deposits

Debt securities

Subordinated debt

Other borrowings

**5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)**

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

**(i) Valuation of financial instruments (continued)**

**Financial instruments not measured at fair value (continued)**

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to call accounts, demand deposits, savings accounts without a specific maturity and variable rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity

**(ii) Financial asset and liability classification**

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

- In classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in 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.

**(iii) Qualifying hedge relationships**

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

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

**(iv) Impairment of investments in equity and debt securities**

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

**(v) Useful lives of property and equipment**

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

**6. OPERATING SEGMENTS**

For management purposes, the Group is organised into two major operating segments:

Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Retail and private banking and wealth management

Principally handling individual customers' deposit and current accounts, providing consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. Private banking and wealth management represents servicing high net worth individuals through a range of investment products, funds, credit facilities, trusts and alternative investments.

Corporate banking, treasury, investments and brokerage subsidiary

Principally handling loans and other credit facilities, and deposit and current accounts for corporate and institutional customers and providing money market, trading and treasury services, as well as management of the Group's funding. The brokerage services are offered through the wholly owned subsidiary, Ahli Brokerage Company SPC.

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**QAR '000s**

**6. OPERATING SEGMENTS (CONTINUED)**

**(i) Information about operating segments**

**2016**

	<b>Retail &amp; private banking and wealth management</b>	<b>Corporate banking, treasury, investments and brokerage</b>	<b>Total</b>
Net interest income	186,358	548,710	735,068
Net fee and commission income	52,458	116,331	168,789
Foreign exchange gain	12,436	4,634	17,070
Income from investment securities	-	31,173	31,173
Other operating income	-	6,560	6,560
<b>Total segment revenue</b>	<b>251,252</b>	<b>707,408</b>	<b>958,660</b>
Other material non-cash items: Impairment losses and provisions	(4,515)	(28,197)	(32,712)
<b>Reportable segment profit before tax</b>	<b>102,277</b>	<b>529,471</b>	<b>631,748</b>
<b>Reportable segment assets</b>	<b>6,037,648</b>	<b>32,127,562</b>	<b>38,165,210</b>
<b>Reportable segment liabilities</b>	<b>8,554,317</b>	<b>24,750,694</b>	<b>33,305,011</b>

\*There is no inter group transactions in the above segmental information.

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**6. OPERATING SEGMENTS (CONTINUED)**  
**(i) Information about operating segments (continued)**

2015

	Retail & private banking and wealth management	Corporate banking, treasury, investments and brokerage	Total
Net interest income	205,808	556,025	761,833
Net fee and commission income	48,976	107,701	156,677
Foreign exchange gain	12,631	12,313	24,944
Income from investment securities	-	45,611	45,611
Other operating income	-	6,795	6,795
Total segment revenue	267,415	728,445	995,860
Other material non-cash items: Impairment losses and provisions	(13,924)	(45,248)	(59,172)
Reportable segment profit before tax	109,223	538,497	647,720
Reportable segment assets	6,315,023	25,983,932	32,298,955
Reportable segment liabilities	6,935,594	20,823,006	27,758,600

\*There is no inter group transactions in the above segmental information.

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**7. FINANCIAL ASSETS AND LIABILITIES**

**(a) Accounting classifications and fair values**

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

**31 December 2016**

	Fair value through profit or loss	Held-to- maturity	Loans and receivables	Available- for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and balances with central bank	-	-	1,789,297	-	-	1,789,297	1,789,297
Due from banks	-	-	-	-	3,261,913	3,261,913	3,261,913
Derivative assets held for risk management	40,719	-	-	-	-	40,719	40,719
Loans and advances to customers	-	-	26,861,405	-	-	26,861,405	26,861,405
Investment securities:							
Measured at fair value	-	-	-	4,251,570	-	4,251,570	4,251,570
Measured at amortised cost	-	1,319,332	-	-	-	1,319,332	1,304,820
	<b>40,719</b>	<b>1,319,332</b>	<b>28,650,702</b>	<b>4,251,570</b>	<b>3,261,913</b>	<b>37,524,236</b>	<b>37,509,724</b>
Derivative liabilities held for risk management							
Due to banks	61,467	-	-	-	-	61,467	61,467
Certificate of deposits	-	-	-	-	1,276,265	1,276,265	1,276,265
Customer deposits	-	-	-	-	2,237,629	2,237,629	2,237,629
Debt securities	-	-	-	-	25,010,862	25,010,862	25,010,862
Subordinated debt	-	-	-	-	1,810,625	1,810,625	1,810,625
Other borrowings	-	-	-	-	182,000	182,000	182,000
	<b>61,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,404,330</b>	<b>32,465,797</b>	<b>32,465,797</b>

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**7. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

**(a) Accounting classifications and fair values (continued)**

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

31 December 2015

	Fair value through profit or loss	Held-to- maturity	Loans and receivables	Available- for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and balances with central bank	-	-	1,132,606	-	-	1,132,606	1,132,606
Due from banks	-	-	-	-	1,661,793	1,661,793	1,661,793
Derivative assets held for risk management	8,550	-	-	-	-	8,550	8,550
Loans and advances to customers	-	-	24,044,609	-	-	24,044,609	24,044,609
Investment securities:							
Measured at fair value	-	-	-	4,429,890	-	4,429,890	4,429,890
Measured at amortised cost	-	421,341	-	-	-	421,341	420,390
	8,550	421,341	25,177,215	4,429,890	1,661,793	31,698,789	31,697,838
Derivative liabilities held for risk management							
Due to banks	38,274	-	-	-	-	38,274	38,274
Certificate of deposits	-	-	-	-	2,638,289	2,638,289	2,638,289
Customer deposits	-	-	-	-	1,549,900	1,549,900	1,549,900
Subordinated debt	-	-	-	-	20,384,090	20,384,090	20,384,090
Other borrowings	-	-	-	-	182,000	182,000	182,000
	-	-	-	-	2,054,866	2,054,866	2,054,866
	38,274	-	-	-	26,809,145	26,847,419	26,847,419

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**QAR '000s**

**8. CASH AND BALANCES WITH CENTRAL BANK**

	2016	2015
Cash	104,607	77,756
Cash reserve with QCB*	1,073,735	989,901
Other balances with QCB	610,955	64,949
	<u>1,789,297</u>	<u>1,132,606</u>

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

**9. DUE FROM BANKS**

	2016	2015
Current accounts	82,832	133,463
Placements	3,179,081	1,528,330
	<u>3,261,913</u>	<u>1,661,793</u>

**10. LOANS AND ADVANCES TO CUSTOMERS**

a) By type	2016	2015
Loans	23,953,143	21,367,038
Overdrafts	2,446,161	2,225,953
Bills discounted	320,195	294,831
Reclassified AFS Securities (i)	20,797	25,035
Acceptances	388,911	450,106
Other loans	77,156	71,821
	<u>27,206,363</u>	<u>24,434,784</u>
Deferred profit	(8,546)	(10,108)
Specific impairment of loans and advances to customers	(287,612)	(331,267)
Collective impairment allowance	(48,800)	(48,800)
<b>Net loans and advances to customers (Note 10(a)(i))</b>	<u>26,861,405</u>	<u>24,044,609</u>

The aggregate amount of non-performing loans and advances to customers (excluding performing loans under watch list) amounted QAR 223.45 million, which represents 0.82% of total loans and advances to customers (2015: QAR 301.68 million, 1.24% of total loans and advances to customers).

Specific impairment of loans and advances to customers includes QAR 50.80 million of interest in suspense (2015: QAR 63.21 million)

*(i) Reclassified AFS Securities:*

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain financial assets from available-for-sale to loans and advances category. The Group identified assets eligible under the amendments, for which at 1 July 2008, it had clear change of intent to hold for the foreseeable future rather than to exit in the short term. Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date

The carrying value of the financial assets reclassified to loans and advances at 1 July 2008 was QAR 304,555 thousand (31 December 2016: QAR 20,797 thousand and 31 December 2015: QAR 25,035 thousand) with the fair value at 31 December 2016 of QAR24,246 thousand (31 December 2015: QAR 23,937 thousand). Unrealized fair value gains on reclassified financial assets available-for-sale that were not impaired, were recorded directly in equity. As of July 2008, such unrealized fair value gains recorded directly in equity amounted to QAR 14,579 thousand.

As of the reclassification date i.e. 1 July 2008, the effective interest rates on reclassified financial assets available-for-sale ranged from 4.12% to 6.46% with expected recoverable cash flows of QAR 483,080 thousand. If the reclassification had not been made, there would not have been any effect on the Group's consolidated income statement for the year ended 31 December 2016 (2015: Nil). Also, as at 31 December 2016, the equity would have included QAR1,043 thousand (31 December 2015: QAR 1,098 thousand) of unrealized fair value losses on the reclassified available-for-sale financial assets, which were not impaired.

**10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)**

**a) By type (continued)**

Note 1	2016	2015
Government and related agencies	1,776,293	1,791,859
Corporate	19,732,973	16,480,063
Retail	5,352,139	5,772,687
	<u>26,861,405</u>	<u>24,044,609</u>

**b) By industry**

**At 31 December 2016:**

	Loans	Overdrafts	Bills discounted	Reclassified AFS Securities	Acceptances	Other Loans	Total
Government and related agencies	809,200	778,088	-	-	-	-	1,587,288
Industry	714,377	58,211	-	20,797	10,053	57	803,495
Commercial	10,328,153	1,032,789	180,330	-	297,579	356	11,839,207
Services	2,566,780	55,719	7,483	-	4,994	194	2,635,170
Contracting	1,995,593	322,131	132,382	-	76,285	184	2,526,575
Real estate	4,320,572	65,987	-	-	-	14	4,386,573
Personal	3,218,468	133,236	-	-	-	76,351	3,428,055
	<u>23,953,143</u>	<u>2,446,161</u>	<u>320,195</u>	<u>20,797</u>	<u>388,911</u>	<u>77,156</u>	<u>27,206,363</u>

Less: deferred profit	(8,546)
Specific impairment of loans and advances to customers	(287,612)
Collective impairment allowance	(48,800)
	<u>26,861,405</u>

**At 31 December 2015:**

	Loans	Overdrafts	Bills discounted	Reclassified AFS Securities	Acceptances	Other loans	Total
Government and related agencies	1,223,148	568,711	-	-	-	-	1,791,859
Industry	526,517	69,827	-	20,733	12,144	29	629,250
Commercial	7,785,588	599,424	164,042	-	406,831	391	8,956,276
Services	2,500,759	118,441	65,012	-	2,914	195	2,687,321
Contracting	1,878,820	311,996	52,435	-	28,217	142	2,271,610
Real Estate	4,035,461	90,601	-	4,302	-	-	4,130,364
Personal	3,416,745	466,953	13,342	-	-	71,064	3,968,104
	<u>21,367,038</u>	<u>2,225,953</u>	<u>294,831</u>	<u>25,035</u>	<u>450,106</u>	<u>71,821</u>	<u>24,434,784</u>

Less: deferred profit	(10,108)
Specific impairment of loans and advances to customers	(331,267)
Collective impairment allowance	(48,800)
	<u>24,044,609</u>

## 10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

## c) Movement in impairment provisions on loans and advances to customers

	2016	2015
Balance at 1 January	380,067	355,290
Provisions made during the year	63,302	90,805
Recoveries during the year	(64,276)	(64,172)
	379,093	381,923
Written off during the year	(42,681)	(1,856)
<b>Balance at 31 December</b>	<b>336,412</b>	<b>380,067</b>

The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations.

	Corporate	Retail	Real Estate Mortgages	Total
Balance at 1 January	7,260	294,906	77,901	380,067
Provision made during the year	17,144	43,175	2,983	63,302
Recoveries during the year	(7,952)	(56,324)	-	(64,276)
Amounts written off	(4,088)	(38,593)	-	(42,681)
<b>Balance at 31 December 2016</b>	<b>12,364</b>	<b>243,164</b>	<b>80,884</b>	<b>336,412</b>
Balance at 1 January	7,701	273,121	74,468	355,290
Provision made during the year	5,363	82,009	3,433	90,805
Recoveries during the year	(5,804)	(58,368)	-	(64,172)
Amounts written off	-	(1,856)	-	(1,856)
<b>Balance at 31 December 2015</b>	<b>7,260</b>	<b>294,906</b>	<b>77,901</b>	<b>380,067</b>

The above impairment provisions include collective impairment on the Group's loans, advances and financing activities to customers' portfolio for QAR 48,800 thousands (2015; QAR 48,800 thousands)

## 11. INVESTMENT SECURITIES

Investment securities as at 31 December 2016 totaled QAR 5,570,902 thousands (2015: QAR 4,851,231 thousands). The analysis of investment securities is detailed below:

	2016	2015
Available-for-sale	4,339,004	4,513,796
Held to maturity	1,319,332	421,341
Total	5,658,336	4,935,137
Impairment loss	(87,434)	(83,906)
<b>Total</b>	<b>5,570,902</b>	<b>4,851,231</b>

**11. INVESTMENT SECURITIES (CONTINUED)**

a) Available-for-sale	2016		2015	
	Quoted	Unquoted	Quoted	Unquoted
Equities	79,330	100,916	203,346	100,879
State of Qatar debt securities/T-Bills	1,712,624	1,483,030	1,389,483	1,483,030
Other debt securities	955,310	-	1,328,628	-
Mutual funds	7,794	-	8,430	-
Less: impairment loss	(33,439)	(53,995)	(64,125)	(19,781)
<b>Total</b>	<b>2,721,619</b>	<b>1,529,951</b>	<b>2,865,762</b>	<b>1,564,128</b>

Fixed rate securities and floating rate securities amounted to QAR 4,149,633 thousands and QAR NIL respectively (2015: QAR 4,192,815 thousands and QAR NIL thousands respectively).

b) Held to maturity	2016		2015	
	Quoted	Unquoted	Quoted	Unquoted
-By issuer				
State of Qatar debt securities	648,647	-	-	-
Other debt securities	670,685	-	421,341	-
Less: impairment loss	-	-	-	-
<b>Total</b>	<b>1,319,332</b>	<b>-</b>	<b>421,341</b>	<b>-</b>
-By interest rate				
Fixed rate securities	1,319,332	-	421,341	-
Floating rate securities	-	-	-	-
Less: impairment loss	-	-	-	-
<b>Total</b>	<b>1,319,332</b>	<b>-</b>	<b>421,341</b>	<b>-</b>

The fair value of held to maturity investments amounted to QAR 1,304,820 thousands at 31 December 2016 (2015: QAR 420,390 thousands).

c) Movement in impairment loss on investment securities	2016	2015
Balance at 1 January	83,906	49,829
Impairment loss during the year	43,531	45,297
Reversal of provisions on derecognition	(40,003)	(11,220)
<b>Balance at 31 December</b>	<b>87,434</b>	<b>83,906</b>

## 12. PROPERTY AND EQUIPMENT

Balance at 31 December 2015	Land and building	Leasehold improvements	Furniture and equipment	Motor Vehicles	Capital Work in Progress	Total
<b>Cost</b>						
Balance at 1 January 2015	195,594	61,701	134,037	156	51,593	443,081
Acquisitions / transfers	-	16,404	16,902	-	-	33,306
Balance at 31 December 2015	195,594	78,105	150,939	156	51,593	476,387
Balance at 1 January 2016	195,594	78,105	150,939	156	51,593	476,387
Acquisitions / transfers	20,487	10,327	9,472	-	-	40,286
Disposals	-	(147)	-	-	-	(147)
<b>Balance at 31 December 2016</b>	<b>216,081</b>	<b>88,285</b>	<b>160,411</b>	<b>156</b>	<b>51,593</b>	<b>516,526</b>
<b>Accumulated depreciation</b>						
Balance at 1 January 2015	29,983	56,415	104,538	91	-	191,027
Charged during the year	5,338	2,532	14,701	31	-	22,602
Balance at 31 December 2015	35,321	58,947	119,239	122	-	213,629
Balance at 1 January 2016	35,321	58,947	119,239	122	-	213,629
Depreciation for the year	5,844	5,202	16,781	31	-	27,858
Disposals	-	(147)	-	-	-	(147)
<b>Balance at 31 December 2016</b>	<b>41,165</b>	<b>64,002</b>	<b>136,020</b>	<b>153</b>	<b>-</b>	<b>241,340</b>
<b>Carrying amounts</b>						
Balance at 31 December 2015	160,273	19,158	31,700	34	51,593	262,758
<b>Balance at 31 December 2016</b>	<b>174,916</b>	<b>24,283</b>	<b>24,391</b>	<b>3</b>	<b>51,593</b>	<b>275,186</b>

## 13. OTHER ASSETS

	2016	2015
Interest receivable	135,575	118,602
Profit receivable (Islamic)	4,457	4,367
Prepaid expenses	18,963	28,504
Positive fair value of derivatives (Note 30)	40,719	8,550
Sundry debtors	52,148	20,227
Advances and deposits	1,378	1,281
Repossessed Collateral*	132,681	132,681
Others	20,586	31,746
	<b>406,507</b>	<b>345,958</b>

\* This represents the value of the properties acquired in settlement of debts which are stated at their acquisition value. The estimated market values of these properties as at 31 December 2016 are not materially different from the carrying values..

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**14. DUE TO BANKS**

	<b>2016</b>	<b>2015</b>
Balances due to central bank	498	58,603
Current accounts	16,194	8,424
Deposits	1,259,573	2,571,262
	<b>1,276,265</b>	<b>2,638,289</b>

**15. CUSTOMER DEPOSITS**

	<b>2016</b>	<b>2015</b>
<b>a) By type</b>		
Current and call deposits	3,820,238	3,115,892
Saving deposits	1,090,479	1,178,545
Time deposits	20,100,145	16,089,653
	<b>25,010,862</b>	<b>20,384,090</b>
<b>b) By sector</b>		
Government	1,278,237	2,152,337
Government and semi government agencies	4,003,157	4,318,328
Retail	6,765,374	5,763,638
Corporate	12,964,094	8,149,787
	<b>25,010,862</b>	<b>20,384,090</b>

**16. (a) DEBT SECURITIES**

	<b>2016</b>	<b>2015</b>
3.625% Euro Medium Term Note – Maturing in April 2021	1,810,625	-

**16. (b) SUBORDINATED DEBT**

	<b>2016</b>	<b>2015</b>
USD 50 million Tier II qualified Subordinated Medium Term Notes (terms as under)	182,000	182,000
Date of maturity	December 27, 2017	
Interest rate	3 month LIBOR + 220 bps	

**16. (c) OTHER BORROWINGS**

	<b>2016</b>	<b>2015</b>
Term loan facilities	1,886,949	2,054,866

The table below shows the other borrowings of the Bank as at 31 December 2016 and 2015:

<b>Currency</b>	<b>Coupon Rate</b>	<b>Maturity</b>	<b>2016</b>	<b>2015</b>
QAR	3 MONTH LIBOR +180 Bps	October 2019	449,149	598,8
USD	3 MONTH LIBOR + 140 Bps	September 2019	709,800	
USD	3 MONTH LIBOR +100 Bps	June 2018	455,000	455,0
USD	3 MONTH LIBOR + 85 Bps	December 2018	91,000	91,0
USD	3 MONTH LIBOR + 95 Bps	October 2018	182,000	182,0
USD	3 MONTH LIBOR +120 Bps	September 2017	-	728,0
	<b>Total</b>		<b>1,886,949</b>	<b>2,054,8</b>

**17. OTHER LIABILITIES**

	2016	2015
Interest payable	121,075	74,337
Accrued expense payable	57,538	70,436
Other provisions (Refer (i) below)	40,992	45,163
Bills payable	9,126	43,525
Negative fair value of derivatives (Note 30)	61,467	38,274
Unearned income (Commission received in advance)	91,442	79,955
Cash margins	53,788	64,507
Dividend payable	9,954	3,814
QE clients payable	568	51
Social and sports fund	15,794	16,193
Staff provident fund	19,481	18,946
Staff pension fund	1,983	1,664
Due in relation to acceptances	388,911	450,106
Others	28,562	42,484
<b>Total</b>	<b>900,681</b>	<b>949,455</b>

**(i) Other provisions**

	Staff indemnity	Legal provision	Others	Total	2016	Total	2015
Balance at 1 January	38,870	500	5,793	45,163		42,963	
Provisions made/transferred during the year	9,747	-	-	9,747		10,347	
	48,617	500	5,793	54,910		53,310	
Provisions paid and written off during the year	(7,651)	(474)	(5,793)	(13,918)		(8,147)	
<b>Balance at 31 December</b>	<b>40,966</b>	<b>26</b>	<b>-</b>	<b>40,992</b>		<b>45,163</b>	

**18. CAPITAL AND RESERVES****(a) Share capital**

	Ordinary shares	
<i>In millions of shares</i>	2016	2015
On issue at the beginning of the reporting year	181.72	165.20
New shares issued (bonus issue)	9.09	16.52
<b>On issue at 31 December</b>	<b>190.81</b>	<b>181.72</b>

At 31 December 2016 the authorised share capital comprised 190.81 million ordinary shares (2015: 181.72 million). These instruments have a par value of QAR 10. All issued shares are fully paid.

**Bonus issue**

On 16 February 2016, the Bank issued bonus shares (ordinary shares) at the rate of 1 share for every 20 shares held by the ordinary shareholders upon obtaining approval from the shareholders in the Annual General Meeting held on 16 February 2016.

**18. CAPITAL AND RESERVES (CONTINUED)**

**(b) Legal reserve**

In accordance with Qatar Central Bank's Law No. 13 of 2012 as amended, 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 and is subject to the approval of QCB. In the year ended 31 December 2016, the Group has transferred QAR 63.18 million being 10% of the net profits (2015-QAR 64.77 million).

**(c) Risk reserve**

In accordance with Qatar central Bank circular 102/2011, in 2016 2.5% (2015 - 2.5%) of the net loans and advances to customers is required to be maintained, except for facilities granted to government and facilities against cash collateral. The total amount of the transfer made to the risk reserve was QAR 73,152 thousands (2015: QAR 44,855 thousands).

**(d) Fair value reserves**

This reserve comprises the fair value changes recognised on available-for-sale financial assets / and the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss

	<i>Available-for-sale investments</i>	
	<i>2016</i>	<i>2015</i>
At 1 January	35,335	49,807
Realised during the year	(9,065)	(14,072)
Fair value (losses) during the year	(58,055)	(34,507)
Net amount of impairment transferred to profit or loss	43,531	34,077
Amortised during the year on reclassification to loans and receivables	55	30
<b>At 31 December</b>	<b>11,801</b>	<b>35,335</b>

**(e) Proposed bonus shares and dividend**

A cash dividend of QAR 1 per share amounting to QAR 190,803 thousands has been proposed by the Board of Directors for the year ended 31 December 2016 (2015: QAR 1.5 per share amounting to QAR 272,576 thousands).

The Board of Directors have also proposed the issue of bonus shares at the rate of one share for every twenty shares held by ordinary shareholders as at 31 December 2016 amounting to QAR 95,402 thousands (2015: one shares for every twenty shares amounting to QAR 90,859 thousands).

The above proposed cash dividend and issue of bonus shares is subject to the approval of the shareholders in their Annual General Meeting.

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**19. INTEREST INCOME**

	2016	2015
Balances with Qatar Central Bank	6,624	6,215
Due from banks	14,930	13,538
Debt securities	180,041	175,633
Loans and advances to customers	1,080,832	924,170
	<u>1,282,427</u>	<u>1,119,556</u>

**20. INTEREST EXPENSE**

	2016	2015
Balances with Qatar Central Bank	132	1,280
Due to banks	58,394	36,594
Customer deposits	393,609	285,853
Others	95,224	33,996
	<u>547,359</u>	<u>357,723</u>

**21. FEE AND COMMISSION INCOME - NET**

	2016	2015
Credit related fees	87,370	82,249
Brokerage fees	7,262	7,880
Banking services	2,437	7,528
Commission on unfunded facilities	65,149	56,343
Others	6,571	2,677
	<u>168,789</u>	<u>156,677</u>

**22. FOREIGN EXCHANGE GAIN/(LOSS)**

	2016	2015
Dealing in foreign currencies	17,075	24,939
Revaluation of assets and liabilities	(5)	5
	<u>17,070</u>	<u>24,944</u>

**23. INCOME FROM INVESTMENT SECURITIES**

	2016	2015
Net gains on sale of available-for-sale financial assets	24,006	32,541
Dividend income	7,167	13,070
	<u>31,173</u>	<u>45,611</u>

**24. OTHER OPERATING INCOME**

	2016	2015
Rental income	6,308	6,097
Others	252	698
	<u>6,560</u>	<u>6,795</u>

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**25. STAFF COSTS**

	2016	2015
Basic salaries	81,966	79,018
Staff pension fund costs	3,981	3,906
Staff indemnity costs	9,747	9,847
Training	291	1,164
Other	76,673	79,888
	<u>172,658</u>	<u>173,823</u>

**26. OTHER EXPENSES**

	2016	2015
Professional fees	3,819	5,974
Communication and insurance	14,280	14,278
Board of directors' remuneration	11,145	12,120
Occupancy and maintenance	15,818	14,311
Computer and IT costs	14,785	14,955
Printing and stationary	3,791	3,218
Others	30,046	27,687
	<u>93,684</u>	<u>92,543</u>

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

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

	2016	2015
Profit for the year attributable to the equity holders of the Bank - QAR '000	631,748	647,720
Weighted average number of outstanding shares	<u>190,803,115</u>	<u>190,803,115</u>
<b>Basic and Diluted Earnings per share (QAR)</b>	<u>3.31</u>	<u>3.39</u>

\*There were no potentially dilutive shares outstanding at any time during the year, therefore, the diluted earnings per share is equal to the basic earnings per share.

**The weighted average number of shares (2015 adjusted) have been calculated as follows:**

	2016	2015
Weighted average number of shares at 1 January	181,717,253	181,717,253
Bonus shares issued on 16 February 2016	<u>9,085,862</u>	<u>9,085,862</u>
Weighted average number of shares at 31 December	<u>190,803,115</u>	<u>190,803,115</u>

**28. CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

	2016	2015
<b>a) Contingent liabilities</b>		
Unutilized facilities-non cancellable	9,928,537	11,277,335
Guarantees	7,108,186	6,429,726
Letters of credit	926,398	904,741
	<u>17,963,121</u>	<u>18,611,802</u>
	2016	2015
<b>b) Other commitments</b>		
Forward foreign exchange contracts	3,667,572	3,471,467
Interest rate swaps	1,032,640	1,088,360
Foreign Exchange Options	247,491	485,107
<b>Total</b>	<u>4,947,703</u>	<u>5,044,934</u>

**Unused facilities**

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

**Guarantees and Letters of credit**

Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credits, advance payment guarantees and endorsements liabilities from bills rediscounted.

**29. CASH AND CASH EQUIVALENTS**

	2016	2015
Cash and balances with banks	338,393	276,168
Money market placements	3,639,082	1,528,330
	<u>3,977,475</u>	<u>1,804,498</u>

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

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**30. DERIVATIVES**

	Positive fair value	Negative fair value	Notional amount	Notional / expected amount by term to maturity			
				Within 3 months	3 - 12 months	1-5 Years	More than 5 years
At 31 December 2016:							
Derivatives held for trading/fair value hedges:							
Forward foreign exchange contracts	40,661	38,223	3,667,572	1,560,889	2,106,683	-	-
Interest rate swaps	58	23,244	1,032,640	-	-	1,032,640	-
Total	40,719	61,467	4,700,212	1,560,889	2,106,683	1,032,640	-
At 31 December 2015:							
Derivatives held for trading/fair value hedges:							
Forward foreign exchange contracts	8,455	7,340	3,471,467	1,141,552	2,329,915	-	-
Interest rate swaps	95	30,934	1,088,360	-	-	1,088,360	-
Total	8,550	38,274	4,559,827	1,141,552	2,329,915	1,088,360	-

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

### 30. DERIVATIVES (CONTINUED)

#### Derivative product types

Forwards exchange contracts are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Forwards exchange contracts are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

#### Derivatives held for trading purposes

Most of the Group's derivative trading activities relate to customer driven transactions as well as positioning and arbitrage. Positioning involves managing positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products.

#### Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall consolidated statement of financial position exposures.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified fixed rate exposures. The Group also uses interest rate swaps to hedge against the cash flow risks arising on certain floating rate liabilities. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as fair value or cash flow hedges. Hedging of interest rate risk is also carried out by monitoring the duration of assets and liabilities and entering into interest rate swaps to hedge net interest rate exposures. Since hedging of net positions does not qualify for special hedge accounting, related derivatives are accounted for the same way as trading instruments.

### 31. FIDUCIARY ACTIVITIES

The Group provides investment brokerage and custody services to customers. Those assets that are held in a fiduciary capacity are excluded from these consolidated financial statements and amount to QAR 568,261 thousands at 31 December 2016 (2015: QAR 605,911 thousands).

### 32. SOCIAL AND SPORTS FUND

During the year, the Group made an appropriation of QAR 15,794 thousands (31 December 2015- QAR 16,193 thousands) representing 2.5% of the net profit for the year ended 31 December 2015, pursuant to the Law No.13 of 2008 and further clarifications for the Law issued in 2010.

### 33. 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 with major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled, or significantly influenced by such parties. All the loans, advances and financing activities to related parties are given at market rates and these are performing and free of any allowance for possible credit losses

**33. RELATED PARTIES (CONTINUED)**

The balances of related parties included in the consolidated financial statements are as follows:

	2016		2015	
	Board of directors	Shareholders	Board of directors	Shareholders
<b>Assets:</b>				
Loans and advances to customers	759,192	-	827,276	-
<b>Liabilities:</b>				
Customer deposits	382,878	1,884,267	286,816	2,626,002
<b>Unfunded items:</b>				
Letters of guarantee, letters of credit, commitments and indirect credit facilities	11,584	-	8,098	-
<b>Income statement items:</b>				
Interest and fee and commission income	31,126	-	20,930	-
Interest and fee and commission expense	6,227	41,007	4,075	17,182
Board of Directors' remuneration	12,120	-	12,120	-

**a) Transactions with key management personnel**

Key management personnel (other than Board of Directors) and their immediate relatives have transacted with the Group during the year as follows:

	2016	2015
Other loans	4,703	2,302
Key management personnel compensation for the year ended comprised:		
	2016	2015
Salaries and short term employee benefits	21,527	18,573
Post employment benefits	7,792	6,952
	29,319	25,525

**34. COMPARATIVES**

The comparative figures presented for 2015 have been reclassified where necessary to preserve consistency with the 2016 figures. However such reclassifications did not have any material effect on the consolidated net profit, other comprehensive income or the total consolidated equity for the comparative year

**FINANCIAL STATEMENTS OF THE PARENT BANK**

**a) Statement of Financial Position – Parent Bank**

	2016	2015
<b>As at 31 December</b>		
<b>ASSETS</b>		
Cash and balances with central bank	1,789,296	1,132,605
Due from banks	3,261,913	1,661,793
Loans and advances to customers	26,861,405	24,044,609
Investment securities	5,570,902	4,851,231
Investment in subsidiary	50,000	50,000
Property and equipment	274,492	262,049
Other assets	406,841	346,352
<b>TOTAL ASSETS</b>	<b>38,214,849</b>	<b>32,348,639</b>
<b>LIABILITIES</b>		
Due to banks	1,276,265	2,638,289
Certificate of deposits	2,237,629	1,549,900
Customer deposits	25,047,622	20,422,606
Debt securities	1,810,625	-
Subordinated Debt	182,000	182,000
Other Borrowings	1,886,949	2,054,866
Other liabilities	900,109	947,316
<b>TOTAL LIABILITIES</b>	<b>33,341,199</b>	<b>27,794,977</b>
<b>EQUITY</b>		
Share capital	1,908,031	1,817,173
Legal reserve	1,525,796	1,462,621
Risk reserve	609,505	536,353
Fair value reserves	11,635	35,081
Retained earnings	818,683	702,434
<b>TOTAL EQUITY</b>	<b>4,873,650</b>	<b>4,553,662</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>38,214,849</b>	<b>32,348,639</b>

**FINANCIAL STATEMENTS OF PARENT BANK (CONTINUED)**

**b) Income Statement – Parent Bank**

	2016	2015
<b>For the year ended 31 December</b>		
Interest income	1,282,427	1,119,552
Interest expense	(548,210)	(358,271)
<b>Net interest income</b>	<b>734,217</b>	<b>761,281</b>
<b>Net fee and commission income</b>	<b>161,633</b>	<b>148,761</b>
Foreign exchange gain	17,070	25,103
Income from investment securities	30,701	45,352
Other operating income	6,561	6,794
<b>Net operating income</b>	<b>950,182</b>	<b>987,291</b>
Staff costs	(169,705)	(169,634)
Depreciation and amortisation	(27,506)	(22,318)
Net provisions	(32,712)	(59,172)
Other expenses	(88,453)	(87,817)
<b>Profit for the year</b>	<b>631,806</b>	<b>648,350</b>

**Issuer**

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