
Annual 20
Report 14 | Qatar Islamic Bank



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

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QIB VISION, MISSION, VALUES



Vision

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

Mission

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

Values

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

BOARD OF DIRECTORS



(Sitting from left to right)

Mr. Mohamed Bin Issa Al Mohanadi
Board Member

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

Mr. Issa R. Al Rabia Al Kuwari
Board Member

Mr. Nasser Rashid S. Al-Kaabi
Board Member

(Standing from left to right)

Mr. Abdul Rahman Abdulla Abdul Ghani
Board Member

Sheikh Ali Bin Ghanim Bin Ali Al Thani
Board Member

Mr. Abdulla Bin Saeed Aleidah
Board Member

Mr. Abdullatif Bin Abdulla Al Mahmoud
Vice Chairman

Mr. Mansour Al Muslah
Board Member

SHARI'A SUPERVISORY BOARD

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

Prof. Abdul Sattar Abou Ghodda
Member

Dr. Mohamad Ahmaine
Administrative Member

SENIOR MANAGEMENT



Mr. Bassel Gamal
Group Chief Executive Officer



Mr. Tarek Youssef Fawzi
General Manager
Wholesale Banking Group



Mr. Dorai Anand
General Manager
Personal Banking Group



Mr. Giles Cunningham
Chief International Officer



Mr. Constantinos Constantinides
Chief Strategy Officer



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



Mr. Khalefa Al Mesalam
Head of Human Capital Group



Mr. Rakesh Sanghvi
Chief Risk Officer



Mr. Gourang Hemani
Chief Financial Officer



BOARD OF DIRECTORS' REPORT

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

On behalf of the QIB Board of Directors, it is my pleasure to present to you the Annual Report on QIB's results for the fiscal year 2014.

2014 results marked a huge leap for QIB to the forefront of excellence in providing stable and consistent Islamic banking services. We have managed to effectively organize the work of the operating segments and categorize them based on our clients' needs, while taking huge steps towards organizing our business by laying the operating foundations for work planning through the many policies and procedures manuals for the various business segments and departments. In addition, we have come a long way in terms of technology transformation by offering banking services via state-of-the-art electronic systems that will have a great positive impact on the quality, expansion, and variety of our services, as well as their positive contribution towards the fulfillment of our clients' needs.

On another note, we are in the process of upgrading our existing major branches in vital locations to ensure that the latest banking systems are installed and that the clients' needs are being met seamlessly; new branches are also planned to be open in several locations. QIB has also initiated a study for the construction of its new Head

Office to keep up with its expanding business and be able to provide better services to our clients. As far as business is concerned, QIB has taken important steps towards attracting new clients – both retail and corporate; it has also become a strong competitor in the Qatar banking sector, powered by an expanding and diversified client base. Special care was also dedicated to the Human Resources Division, which saw extensive training and capacity-building efforts; QIB is also implementing a new and intensive program aimed at skilled Qataris, providing them with training programs to help hone their skills and enable them to assume leadership positions within the Bank's organizational structure.

At the international level, the business results of QIB associates and subsidiaries marked a considerable departure from a stumbled performance to breakeven for some with others achieving profitability. QIB is currently working on issuing Additional Tier 1 Sukuk in a bid to strengthen its capital base, in compliance with the Basel III and the Qatar Central Bank capital adequacy requirements.



In light of the aforementioned developments, the financial results of fiscal year 2014 marked a qualitative shift in QIB's journey, reflecting a successful business strategy that produced exceptionally positive results. QIB's Total Assets have increased by 24% compared to 2013 and now stands at QR 96 billion. Customer Deposits registered a strong growth of 32% compared to 2013 and now stand at QR 67 billion. Total Income was QR 3,633 million registering 16% growth compared to QR 3,144 million for 2013, QIB was able to maintain the ratio of non-performing financing assets to total financing assets is below 1%, one of the lowest in the industry, QIB continues to pursue the conservative impairment policy with the coverage ratio for non-performing financing assets reaching 101% as of December 2014 up from 94% as of December 2013.

QIB achieved a record set of results in 2014 with net profit reached QR 1.6 billion in 2014, which represents a strong 20% increase over 2013. Based on these results, the board of directors recommends the approval of a cash dividend to shareholders at the rate of 42.5% equal (QAR 4.25 per share).

At the conclusion, on behalf of the Board of Directors I would like to extend our most sincere gratitude and appreciation to His Highness the Emir, Sheikh Tamim Bin Hamad Bin Khalifa Al Thani, and His Highness the Father Emir, Sheikh Hamad Bin Khalifa Al Thani, for their continuous support and encouragement of the banking sector in the State of Qatar. Our thanks and appreciation as well to all the officials working in the government authorities concerned with the banking sector for their invaluable guidance and constant support, and to all our clients, investors, and shareholders. Thank you all for your trust and loyalty to QIB, and to the Shari'a Supervisory Board as well as QIB Management and employees, namely Mr. Bassel Gamal, Group Chief Executive Officer, for their exemplary efforts and dedication.

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



GROUP CHIEF EXECUTIVE OFFICER'S REPORT

Bassel Gamal
Group Chief Executive Officer

The 2014 financial year represented a time of strong economic growth for Qatar, with overall growth rates of 6.2 per cent recorded in spite of a significant weakening of oil prices throughout the second half of the year. The country's economy was bolstered by substantial increases in non-oil industries which recorded a growth of 11.5 per cent. The majority of this growth was driven by the construction sector, which exhibited gains of 18 per cent; with the finance and insurance sectors growing fast as well.

Going forward, Qatar's strong national economic climate is expected to be further underscored by low rates of inflation, a healthy budget and significant account surplus, all of which will ensure that the country is in good stead to follow through successfully with its national investment program ahead of the 2022 World Cup and Qatar vision 2030.

In light of the positive economic climate in Qatar and the successful implementation of the Bank's business strategy, QIB has managed to achieve strong positive financial results during fiscal year 2014 compared to 2013, registering strong earnings and returns for shareholders. Customer deposits registered a growth of 32%, while financing activities grew by 27%, total assets grew by 24%, and net profits grew by 20%.

Total shareholders' equity in the Bank increased by 5% to reach QR 12.5 billion, which helped the Bank to maintain a capital adequacy ratio of 14.6%. QIB was able to maintain the ratio of non-performing financing assets to total financing assets at 1%, one of the lowest in the industry, reflecting the quality of the Bank's financing assets portfolio and its effective risk management framework. We continue to pursue a conservative impairment policy with the coverage ratio for non-performing financing assets reaching 101% - up from 94% in 2013.

In positioning itself as a customer centric , efficient bank, QIB's strategic focus is on increasing local market share and deepening client relationships with all customers. In so doing,



the Bank has gained market share across key businesses and continued to optimise international banking operations for efficiency and profitability, while strengthening its cross-border banking activities.

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

This strategy, focused on the Bank's clients, a diversified business model and commitment to long-term strategic priorities, has been fundamental to its growth and success, and is expected to continue creating value in the future.

QIB also increased market share to become a leading Personal Bank in Qatar by investing in Branches and Direct Channels to serve all client segments, while giving differentiated offerings to Affluent and HNWI clients.

The Bank plans its stability through diversification, serving clients through a number of business lines; and it is confident it has the right mix to deepen client relationships, benefit from growth opportunities and support consistent performance over the long term.

QIB's **Corporate Banking Group** made strong achievements, growing 29% compared with 2013. QIB was mandated to finance approximately 40% of Ashghal projects in terms of their contract values, and achieved considerable success and growth in the Small & Medium Enterprises (SME) sector.

Treasury continued to provide comprehensive banking solutions to institutional and corporate clients. The bank focused on increasing internal efficiencies through streamlining of internal processes and building a client-centric model. The Bank achieved the integration of the FX trading, commodity facilitation and client Sukuk trading platforms to better serve its customers.

Personal Banking successfully focused on its strategy of strengthening distribution capability, enhancing segmented value propositions, developing new products to increase revenue streams, enhancing electronic banking functionalities and, most importantly, focusing on providing exceptional service to customers. The Bank moved towards transforming the customer banking experience through enhanced branches, branded with an innovative look and feel with extended service hours.

In 2014, QIB completed the restructuring of its **International Group**. All International subsidiaries and branches now operate profitably. Looking forward, the Bank will continue to examine possible acquisition targets looking cautiously for profitable expansion opportunities, as well as further growing its current international operations.

And thoughtful expansion opportunities

Finance Group took various measures towards integration of financial control and reporting across the entire organization. Significant policy and process improvements in budgeting, forecasting and financial control have improved the Bank's ability to effectively monitor and manage its financial performance. Finance Group led capital planning activities, including evaluation of the capital requirements to support business growth, establishing the optimal capital structure to maximise shareholder value and managing the proposed Additional Tier 1 Capital Sukuk issuance.

The ability to manage risk well is a core competency at QIB, and is supported by strong risk conduct and an effective

risk management approach. Among other initiatives during the year, the **Risk Group** facilitated a complete review of Bank-wide policies and procedures to ensure they are comprehensive and current. The Bank's Risk Appetite Statement and Framework, complemented by the Credit & Investment Policy, were approved by the Board to serve as a guide for the Bank's risk taking activities.

In 2014, the QIB **Operations unit** was involved with the Bank's transformation programme, focusing on enhancing the overall customer experience, centralisation of non-customer facing activities, introduction of process Automation & Lean improvements.

The **Technology** unit has helped the business functions achieve their objectives and is fulfilling the role of being a "value centre" in enabling market leading Service Quality. As a Bank, we are committed to having Technology as a key enabler in client acquisition and retention efforts. Towards this direction, The "iCan" programme which will initiate a new Core Banking system as well as change the Technology platform of the Bank is expected to significantly improve the service levels to be offered to all our clients.

As part of Human Capital's Strategic Nationalisation plan, QIB achieved 27% Qatarisation as of year-end and continues to invest in developing national resources. Continuing the updated plans of earlier years, 154 Qatari nationals had the opportunity to follow comprehensive training courses offered by the Bank. All Bank employees are being trained regularly to accustom themselves with new banking regulations, to new products and services as well as the importance of customer service.

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

Business Review

BUSINESS REVIEW

2014 has been a year of continued growth for QIB, reflecting strong performance across the year and all Bank's divisions. QIB's Net Profit reached QR 1.6 billion, representing a growth of 20% compared to 2013, while total assets of the Bank now stand at QR 96 billion, having increased 24% compared with the previous year.

QIB has been positioning itself as a customer centric, efficient bank, providing Shari'a-compliant solutions to meet Qatar's booming demand for Islamic finance.

Financing activities, which remain the key growth driver, reached QR 60 billion, showing 27% growth, and customer deposits moved up to QR 67 billion, registering a strong growth of 32%. Meanwhile total shareholders' equity in QIB reached QR 12.5 billion, an increase of 5% compared to September 2013. The total Capital Adequacy of the Bank under Basel III guidelines stands at 14.6%, against the minimum of 12.5% prescribed by Qatar Central Bank.

QIB's Corporate Banking made strong achievements in 2014. The financing portfolio growing 29% compared with the previous year and customers' deposits showing a 32% growth compared with 2013.

QIB also achieved considerable success in the Small & Medium Enterprises (SME) sector, reflected in its receiving two awards during 2014 as Best SME provider in Qatar by World Finance Magazine & Qatar Enterprise Agility. This was based on its high level of service and financing solutions to QIB's customers, recording an increase in its customer base and market share by 9% and 7% respectively.

The Transaction Banking unit developed further its Cash Management service to facilitate Collection, Payment and liquidity management for its Corporate Clients. In 2014, Transaction Banking structured a number of new management products and solutions..

Transaction Banking also worked on QIB Trade Finance process improvements for Wakala LC, and structured Wakala post shipment finance with the necessary Shari'a approval for Open account Imports. The 2014 volume growth in Trade finance was 56%, achieving a revenue growth of 30% over the previous year.

During 2014, there was significant development of QIB's Corporate Internet Banking features. Corporate clients can now use the QIB Internet banking platform to upload bulk payment to facilitate their payment management. Clients can now get a report of their term deposit details through the Internet banking portal that will give them instant MIS support to work on their liquidity management.

An extensive presentation on QIB's Cash Management and Trade Finance suite of products and services to QIB Corporate clients took place at seminar organized by the Bank in June 2014.

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

The Treasury Group is made up of financial markets, capital markets and treasury sales. The group is part of the Wholesale Banking team and works closely with the corporate relationship managers, local & foreign branches and private banking to deliver its services to all QIB clients.

QIB Treasury follows an integrated business model, in which all Shari'a compliant treasury products and services are offered by the treasury sales team with support from the interbank desk and structuring team. The team also provides Sukuk prices to institutional, corporate and private banking clients, both in the primary and secondary markets.

2014 was a successful year, with notable success in Sukuk trading, fee based activities and reduced cost of funds, despite rapid asset growth in core activities. As a result of treasury team initiatives and coordination with the Asset Liability



Management Committee, the Bank achieved a prominent market position in deposit retention and mobilization. It was also awarded Best Treasury Management for Treasury Solutions by Banker M.E. and the preferred bank for a Shari'a compliant hedging documentation in a corporate syndication.

Key Challenges in 2014 were managing economic volatility and limiting the impact across all areas of business. The Treasury Group produced an excellent set of results, underpinned by proactive, disciplined risk management. All business segments within the Group, including foreign branches, contributed towards this growth, reflecting a consistent and stable earnings platform throughout 2014.

Moving into 2015, Treasury Group continues to build on the platform from previous years. Client-centricity remains a driving force within the business; and we are committed to understanding our clients' needs and delivering appropriately, through the provision of full spectrum

solutions and excellence in execution. In order to improve the quality of client service, we have focused significantly on improving our client-centric model and alignment, both within the wholesale banking group and with the QIB network of foreign branches and affiliates.

Given our diversified earnings platform and the quality of our product development and experienced sales team, the business is well positioned for continued growth in 2015, focusing on client solutions and cross-selling. New products to be launched this year include, among others, Par Forwards, Time Option Forward and Shari'a compliant Cross Currency swaps. The Bank is also planning to be a primary dealer in International Islamic Liquidity Management Sukuk (IILM).

QIB Treasury will continue to pursue opportunities in Qatar and abroad by working closely with, and leveraging, the branch coalitions. This is supported by a defined risk appetite framework, sector-specific expertise and underpinned by our client-centric approach.

The Personal Banking had a successful year by focusing on its strategy of strengthening its distribution capability, enhancing its segmented value propositions, developing new products to increase revenue streams, enhancing electronic banking functionalities and, most importantly, focusing on providing exceptional service to its customers.

Success in meeting these strategic aims were evident, as net income recorded growth of 29% above 2013. Financing income rose by 19%. On portfolio, financing to customers increased by 18% and customer deposits showed an increase of 9% compared with the previous year, resulting in strong acceptance and an increase in market share.

2014 was a year in which QIB moved towards transforming the customer banking experience through enhanced branches, branded with an innovative look and feel with extended service hours. QIB added two new-generation branches in Shahania and Um Salal, enlarging the footprint of QIB to reach a wider geographic area. Two branches commenced opening up in the evenings and on Saturdays for better customer reach and convenience. The total number of branches that is now open in the evening has reached nine. These branches are also equipped with a unique facility of opening a bank account and issuing instant Debit cards for its customers. QIB also added eight new ATM / CDMs at prominent locations, increasing its ATM network to reach 162.

Similarly successful was the introduction of QIB's "finance work flow automation system", which offers the capability to book personal and auto finance through a straight forward, simple, fast process. Further, QIB succeeded in staging different promotions for existing and potential customers, focusing on high demand products such as financing, salary transfer accounts, buy-out liabilities, Takaful and cards. During 2014, QIB was the Official Retail Bank in Qatar for the 2014 FIFA World Cup™ in Brazil in association with Visa. Through this partnership, 30 QIB customers got the opportunity to travel to Brazil to watch the most popular sporting event in the world. The "Double your Salary promotion" along with "Summer" and "Year-end" spend campaigns saw hundreds of customers win back their salary or their spending on QIB cards.

With an aspect of improving its segment value proposition for Affluent and Private banking customers, QIB introduced a range of innovative investment opportunities such as "Shiraa", the first Shari'a Complaint multi funded investment product in Qatar and the "Walady" child savings plan to cater to the future needs of the next generations . These funds

were introduced with the objective of delivering sustainable and attractive long term performance to QIB's clients.

One of the best testimonies to QIB's customer-centricity was the recognition of QIB's call center which receive the 'BEST Call center' award in the country. Ethos Integrated Solutions made the announcement as part of its Customer Experience Benchmarking Index 2014 at an awards ceremony to reward the winners of its 10th Annual Customer Experience Benchmarking Index for retail banks across the GCC.

On other e-channel platforms, QIB enhanced its way throughout 2014 to provide customers with the best digital experience through its easy to use Mobile banking application, which gained relevant prominence by enrolling record numbers of customers and transactions. To ensure utmost security while carrying out online transactions, QIB introduced OTP (One Time Password, double factor authentication and 3D functionalities.

In 2014, QIB completed the restructuring of its International Group, the finalization of a wide ranging project which started back in 2012. As a result, all QIB International subsidiaries and branches now operate profitably.

QIB-UK repositioned itself to focus on Private Banking and Real Estate, and moved into its new premises in Grosvenor Square, Mayfar London. The bank increased its ownership of Asian Finance Bank to 60%, strengthening its position in the important Islamic banking market of Malaysia.

Looking forward, the international business's goals for 2015 focus on pursuing further acquisition targets and expansion opportunities in line with QIB's international strategy, as well as continuing to grow its current international operations.

During 2014 ,the Finance Group took various measures towards integration of financial control and reporting framework across the entire Group. Significant policy and process improvements in budgeting, forecasting and financial control has strengthen the Bank's ability to effectively monitor and manage its financial performance.

Asset Liability Management policies of the Bank were revised to enhance the Balance Sheet management and monitoring process and provide proactive support to the Asset Liability Committee in timely management of various financial risks.

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



Finance Group led the capital planning activities including evaluation of the capital requirements to support business growth, establishing the optimal capital structure to maximize the shareholder value and managing the proposed Additional Tier 1 Capital Sukuk issuance.

Effective the first quarter of 2014, the Bank successfully implemented the Basel III capital adequacy and liquidity guidelines introduced by Qatar Central Bank (QCB). The transition from Basel II to Basel III was seamless and has further strengthened the bank's financial planning and management process. Finance Group establish a robust framework for Internal Capital Adequacy Assessment Process that now enables proper evaluation and alignment of the Bank's business plans, associated risks and required capital levels.

The finance group implemented a revised Funds Transfer Pricing methodology and cascaded the methodology to form part of the performance metric of the businesses. It now

enables more accurate assessment of net segmental revenue contribution, which along with the improved cost allocation methodology helps enhance performance ownership and accountability at each business group level.

Inclusion of QIB stock on MSCI and S&P emerging market index necessitated active engagement with buy-side and sell-side Institutional Investors. Enhanced participation in bilateral meetings and roadshows to clearly elucidate the Bank's strategy and performance that assisted in improvement of shareholder value reflected through strong performance of QIB stock price. In 2014, Standard & Poor's reaffirmed Qatar Islamic Bank's long-term counterparty credit rating of 'A-' with a stable outlook. Fitch recently upgraded its long term rating to 'A+' with a stable outlook.

The Finance group has and continues to remain a key partner in the Bank's Technology Transformation program with lead role in the design, testing and implementation of financial accounting, data management and reporting infrastructure.



The Finance Group continues to add new tools and measures to monitor the bank's financial health, as part of the continuous evolving process. Detailed operating manuals, policy and procedures have been established with a view to create a sustainable and balanced enterprise

The key focus of Human Capital in 2014 was on implementing organisation-wide changes, mobilising critical leadership roles, implementing a bank-wide Service Excellence Training program, enhancing organisational effectiveness and improving performance standards and rationalising regretted turnover.

Five major initiatives were launched throughout the year to achieve these ends. The first was an Islamic banking education programme, in which 430 of QIB's staff participated in initiatives designed to improve the internal knowledge of the Islamic banking context.

The second initiative, part of the Strategic Nationalisation Plan, entailed the offering of training and development plans to Qatari nationals with a view to improving the representation of Qataris in the organisation. In addition to sponsoring students within leading university and educational institutions, QIB offered 154 individuals positions

within high-level training courses and ran a pilot programme in which 17 individuals undertook professional development through the organisation's Developmental Assessment Centre. Through these programmes, QIB has achieved current Qatari representation levels of 27%. It remains committed to further investing in developing national resources to increase representation levels in 2015.

The third initiative implemented by Human Capital was the development of QIB's first competency framework. When embedded within the learning, talent and performance initiatives, this framework is anticipated to result in a strong positive impact on the entire organisation.

Human Capital's fourth strategic developmental project involved a service excellence programme through which more than 500 participations were selected to undertake one of four different service-related training programmes.

The final key initiative for 2014 involved training and developing the technical competencies of 165 staff so that they might become confident users of the six recently implemented banking systems that fall under the Bank's Technology Transformation Program.

In addition to the above major initiatives, QIB also undertook to offer 34 different courses with a total of 2,373 participants (some individuals attended more than one programme). Post-training satisfaction scores averaged 90%, reflecting a successful response to the organisation's leadership development efforts.

The organisation's emphasis on staff satisfaction was further evident in its significantly reduced staff attrition levels, with expatriate and local attrition rates decreasing by 34% and 36% respectively from 2013 to 2014.

Given the association between staff retention, staff recognition and positive organisational culture, the organisation undertook to reward highly talented staff and encourage a culture of high performance.

These efforts comprised several facets. These were the enhancement of the organisation's in-house Performance Management system, the implementation of a mid-year performance review, the alignment of individual and organisational objectives, and the development of a survey to identify and reduce compensation gaps. The promotion of 22 local staff members was undertaken as part of a proactive approach to reward and retain highly talented staff and underscore the organisation's commitment to developing a positive, performance-oriented culture.

With efficient internal processes linked to staff satisfaction, Human Capital also sought to carry out various optimisation initiatives designed to streamline and automate organisation practices while simultaneously reducing costs.

These efforts resulted in the automation of performance evaluation, ID and passport renewal notifications, recruitment and on-boarding processes, employee exit evaluations and a number of internal communications. These tasks are now integrated into the Oracle HRMS system. Additionally, a newly implemented pension process is being used to allocate monthly pensions in accordance with Pension Authority guidelines via the PA web portal.

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

QIB manages risks by seeking to ensure that business activities and transactions provide an appropriate balance

of return for the risks assumed through adherence to the Enterprise Risk Appetite Framework. Major risk categories include Credit, Market, Operational, Liquidity and funding, Shari'a compliance, regulatory compliance, strategic, reputation, legal and regulatory environment, competitive, and systemic risk. In order to avoid excessive concentration of risks, we strive to diversify our business lines, products and industries.

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

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

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

As part of initiatives during the year, the Risk Group facilitated a comprehensive review of the Bank-wide policies and procedures to ensure they are comprehensive and current. A comprehensive Risk Appetite Statement and Framework, complemented by the Credit & Investment Policy, were approved by the Board to serve as a guide for the Bank's risk taking activities. Further streamlining of the operating procedures is on-going as part of the new core banking system implementation to improve controls and efficiencies.

2014 has been a significant year of achievement of Technology deliverables and transformation from a system perspective. The Technology function has helped the business functions achieve their objectives and is fulfilling the role of being a "value centre" in enabling market leading Service Quality. As a Bank, we are committed to having Technology as the key enabler in client acquisition and retention efforts.

The efforts of the Technology team to deliver in the mode of doing “more” with “less” have borne fruit in replacing end of life systems, as well as upgrading applications to current versions. The achievements are more noteworthy in view of the cost optimisation mandates and adhering to mandated project timelines and change requests with a lean team as well.

In our efforts to consistently set new benchmarks, IT continues to align its service offerings in line with our Transformation journey, as we endeavour to be the finest and the best in class among our peers in the Middle East region. Some of the key projects delivered in the recent past were the implementation of International Bank Account (IBAN) numbers, Two Factor Authentication (2 FA), ECC, Debit Collections, Signature Verification Systems, Prime ESP, IPO System, Corona Reconciliation, 3 D Secure, Branches Storage Upgrade, CCTV ATM Solution Upgrade, CCTV for Branches, BCM-UPS for ATMs, DR Switches Core Upgrade, DC/DMZ Switches Upgrade, DR Firewall Implementation, DC/DMZ Firewall and Network Administration Control.

The other noteworthy deliverables included UC4 Implementation, QIB Aman, Quick Remit capability over Mobile Banking and integration with Mobile Banking, Early settlement of Credit Cards through ATMs and CDMs, Introduction of the ‘Pull’ SMS service – enabling QIB customers to obtain their IBAN account numbers via SMS, Quick Account Opening changes to facilitate SME and Minor account opening, Reprinting TT Advice across QIB Branches, BEEMA Insurance reconsolidation enhancements, Enabling ministry Salary Processing using MOF Email notification and Monthly Statement with Cheque Details in a prescribed format, Mudaraba view to customers, TERMS, Wages Protection System Phase 1 and Phase 2, Late Fee implementation, GL Accounts (P&L) Account Access Restrictions, Automation of Confirmation Process (HRMS), QIB Staff Visa card application in HRMS, Letters Automation in HRMS, Changes in all QCB Risk Reports and IFF version 1.4 implementation as per the Credit Bureau’s regulations.

The range of projects that have been successfully completed have, in addition to catering to business needs, helped comply with both internal control requirements as well as regulatory mandates. The other major initiative which has seen significant progress is the “iCan” programme which will convert the Core Banking system as well as the Technology platform of the Bank and help position it to target the ambitious goals set for the years ahead.

In 2014, QIB Operations was involved with the Bank transformation programme with the following initiatives being focused on: Enhancing the overall customer

experience, centralisation of non-customer facing activities, process Automation & Lean improvements, operations Risk Management and standards in the operating environment.

Operations, Internal Control, and Business Service Delivery Divisions have focused on putting in place a lean structure and initiating the centralisation of control functions. Our focus will continue to be on improving staff skills to deliver market leading service levels whilst developing our Qatari employees to take on leadership roles.

A monthly dashboard has been introduced which serves to both highlight performance to stakeholders whilst setting the benchmark to ensure efficiency and effectiveness in the Bank’s processes and service delivery.

Our transformation programme continues to focus on putting in place more efficient processes and reducing costs whilst improving the customer experience. For example:

- **Customer Experience:** A dedicated Customer Service Desk that serves our corporate customers with respect to LCs, LGs and Funds Transfers has been set up. The range of services offered, as well as working hours, will be extended in the near future.
- **Centralisation:** Key processes have been targeted to optimise and improve efficiency and capitalise on the synergies when brought to a single location. These are expected to free up customer facing staff at branches to focus on service.
- **Automation:** As a start, key processes in each operating unit have been taken up to reduce day processing delays whilst eliminating redundancies and bottlenecks. With improved controls being built in, these are expected to improve the service experience. We also continue to support our stakeholders in migrating products/services to digital distribution channels, encompassing the internet.
- **Information Security:** We have formulated and documented a complete Information Security governance framework and completed PCI compliance audit successfully.
- **Business Continuity Management:** Over 100 BCM business champions/600 staff were involved in a successful evacuation drill, in coordination with the Civil Defence department in September 2014.
- **Premises:** In addition to new branches developed under the prescribed identity/standards, a comprehensive plan to redesign and fit out existing branches has been initiated.

RATING & AWARDS

Credit Rating

Over the past 32 years of Islamic banking, QIB has succeeded in establishing a recognisable local, regional and international presence that has ensured it is a frontrunner in the regional and international Islamic banking industry.

Fitch Rating

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

Capital Intelligence (CI)

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

Standard & Poor's

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

Awards 2014

- Best Treasury Products Management – Qatar2014 – Banker Middle East
- Best SME Islamic Finance Provider for the GCC & MENA 2014 – Global Banking & Finance Review
- Best Co-Branded Credit Card Qatar 2014 – Global Banking & Finance Review
- Best Financial Brand Qatar 2014 – Global Brands Magazine
- Best Call Centre customer experience of all banks in Qatar – Ethos Integrated Solutions
- Contractor Financing Bank of the Year – Qatar Contractors Forum
- Islamic Bank of the Year – Qatar Enterprise Agility Awards
- Islamic Bank of the Year, Qatar 2014 by The Banker magazine
- Best SME Islamic Finance Provider from World Finance
- Best Islamic Bank in Qatar from World Finance
- Safest Islamic Bank in Qatar by Global Finance
- Best Islamic Bank in Qatar from Islamic Finance News (IFN)
- Arranger of the Syndicated Deal of the Year for Ijarah Facility from Islamic Finance News (IFN)
- Arranger in the Tawarruq Deal of the Year' for Revolving Commodity Murabahah Facility from Islamic Finance News (IFN)
- Best Islamic Bank – Qatar – Euromoney Islamic Finance Award

QIB GROUP OVERVIEW

Domestic Subsidiaries & Affiliates



QInvest

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



Al Jazeera Finance

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



Aqar Real Estate

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



Damaan Islamic Insurance Company (Beema)

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



Durat Al Doha Real Estate Investment and Development

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

Global Network

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



QIB UK

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



QIB Sudan

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



Arab Finance House (AFH) in Lebanon

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



Asian Finance Bank (AFB) in Malaysia

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

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

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

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

QIB's Major Ancillary Activities:

In 2014, QIB achieved a number of notable milestones in its Corporate Social Responsibility (CSR) program. They include:

- Providing sponsorship to Qatari students to study finance, economics and business of the Bank
- Providing over QAR 6 million in funding towards students' sponsorships and helping the poor, debtors, the sick and others from QIB's Zakat Committee Fund
- Sponsoring the outstanding students honouring ceremony organised by the Public Authority for Minors' Affairs.
- QIB donates QR 3 million to support Gaza
- Contributing to support campaigns directed at Syrian refugees
- Supporting the activities of Reach Out to Asia (ROTA) member of Qatar Foundation
- Providing training on the practice of Islamic banking to Qatar University's Management and Economics students during the summer break sponsorship programme
- Organising a blood donation campaign to enhance the stock of the Blood Center at Hamad Medical Corporation
- Sponsoring the celebrations of the Qatar National Day, and the National Sports Day.
- Supporting Iftar campaigns organised by the Zakat Fund during the Holy Month of Ramadan
- Receiving a group of school students and providing them with information about how an Islamic bank operates and conducts its business
- For the 11th consecutive year, QIB sponsored the Ramadan supplement printed daily during the Holy Month by Qatar's Al Sharq newspaper
- QIB participated at Qatar University's Professional Day, a career and networking fair, which provides students an opportunity to explore job opportunities with the bank

Corporate Governance Report 2014

CORPORATE GOVERNANCE REPORT 2014

1. Introduction

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

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

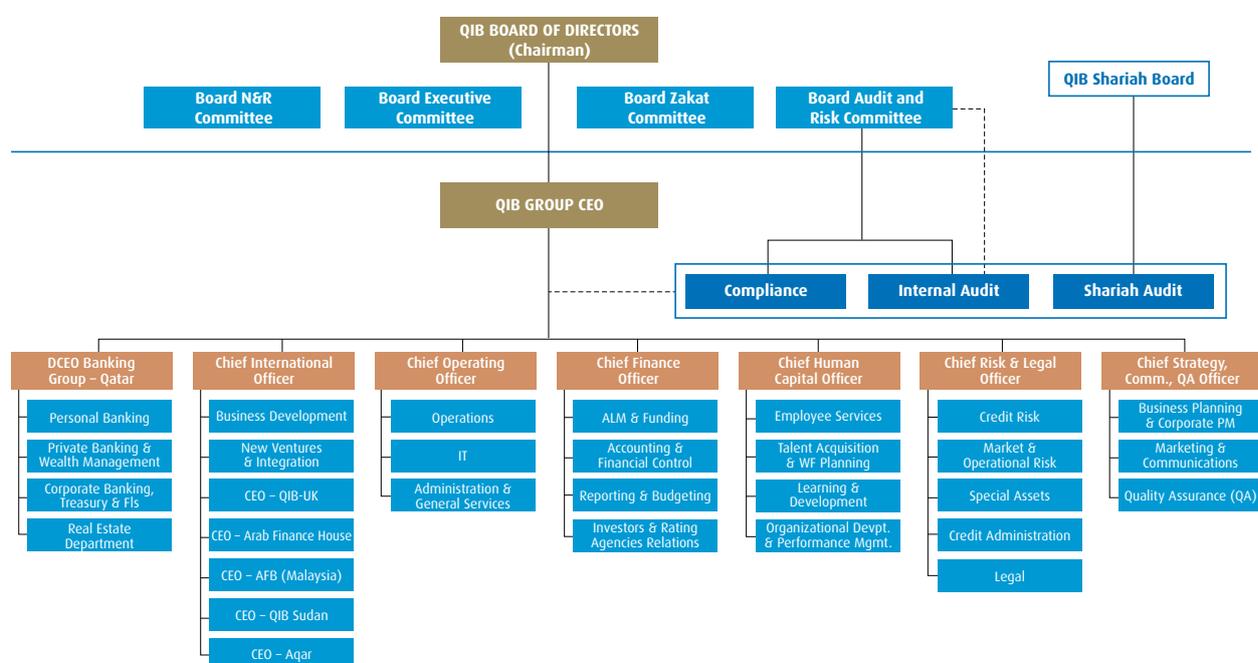
Effectively, 'QIB' has adopted a formal framework for Corporate Governance that covers all the aspects of Governance in Qatar Islamic Bank. Approval and implementation of an integral set of Policies and Procedures have been included in that framework in addition to the comprehensive

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

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

In this respect, the Bank, in fulfilment of its responsibilities towards Shareholders, has managed to get its BOD approval on the following Corporate Governance criteria. The present report on the bank's Corporate Governance for 2014 reflects that 'QIB' has been always diligent to apply the best relevant practices that ensure the Bank's effective control and management.

2. Business Organization Structure



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

- Adoption of a general form for Governance report to be shared by Compliance Dept., Audit & Policies Committee, Risk Group, Media & Marketing Dept. under full coordination with the top Management.

- Governance procedures in the Bank have been regularly evaluated and necessary remedial actions taken to ensure full compliance with same.
- BOD Committees and the Executive Committees in charge of improving Governance practices.
- Observance of Ethics, Conduct and professional behaviour criteria.

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

3. BOD and Board Members' Role

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

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

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

3.1 Board Structure

In application of Clause (9) of Corporate Governance Rules Issued by QFMA, the election and constitution of BOD must be according to the Bank's Articles of Association and the Companies Act clauses. Therefore, structure of the Board is subject to following conditions:

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

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

3.2 Electing and Appointing of Board Members

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

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

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

- Attending Board meetings and giving an independent opinion on the issues of Strategy, policies, performance, accountability, resources, key appointments and work criteria.
- Ensuring priority is according to the benefits of the Bank and its Shareholders in case of any conflict of interests.
- Participating in Audit Committee
- Monitoring the Bank's performance towards the achievement of its agreed goals and targets and, reviewing its annual, half-annual and quarterly performance reports.
- Supervising the development of the Bank's procedure rules relative to Corporate Governance in order to follow up their implementation in pace with such rules.

- Putting their skills, expertise, rich specifications and, qualifications at the disposal of the Board or its Committees by regularly attending the Board meetings, effectively participating in the General Assembly's meetings and understanding shareholders opinions fairly and equitably.
- A majority of Non-Executive members may seek the opinion of an independent Consultant at the expense of the Bank, in any issue regarding the Bank.

3.3 Board Members' Responsibilities

In application of Clause (4) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank has adopted a Chart for the Board members detailing the Board's and the Board members functions and duties subject to their full commitment to such functions & duties.

Responsibilities of the Chairman and Board members is as drawn in the Bank's Articles of Association and the Policies & Procedures issued by the Board from time to time, with due respect to Clause (6) of Corporate Governance rules, which detail the Board members developmental duties as follows:

- Every Board member is committed towards the Company to perform his duties with due diligence and abidance with the institutional authority as it is stated in the relevant laws and regulations including the present and the Board's charts.
- Board members must at all times, act on the basis of clear, well intentioned information, with the necessary due diligence and care to the interest of the Company and all its shareholders.
- Board members must act efficiently to put into effect their commitment towards the Company.

Chairman's Duties:

In application of Clause (7) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank totally segregates between the posts of Chairman and Chief Executive Officer, as each of the two posts is occupied by an appointed person.

In application of Clause (8) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, Chairman is in charge of ensuring the smooth running of the Board activities using adequate and efficient means, including permitting the Board members to have access to full and integral information at the proper time. Chairman may not as well be a member in any of the Board Committees. His duties include also:

- Ensure the Board has discussed all the basic issues effectively and in the proper time.
- Approve every Board meeting's Agenda, taking in consideration any issue raised by a Board member. He may delegate such task to a Board member. However, the Chairman will remain responsible for the adequacy such delegated member had performed the assignment.
- Encourage all members to effectively take part in handling the Board's matters, in order to ensure the Board had acted to the favour of the Bank interests.
- Ensure the proper communication with shareholders to escalate their views to the board.
- Permit Non-Executive members in particular, to actively participate in the Board's activities and encourage the establishment of constructive relationships between Executive and Non-Executive members.
- Ensure an annual Board's performance report is made.

3.4 Board of Directors

As at 31st December 2013, the Board of Directors was constituted of the following members:

Name	Membership's Capacity	
Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani	Chairman	Executive, Non-Independent
Mr. Abdullatif Bin Abdulla Al Mahmoud	Vice-Chairman	Non-Executive, Non-Independent
Mr. Mohamed Bin Issa Al Mohannadi	Board Member	Non-Executive, Non-Independent
Mr. Abdul Rahman Abdulla Abdul Ghani	Board Member	Non-Executive, Non-Independent
Mr. Mansour Al Musleh	Board Member	Non-Executive, Non-Independent
Mr. Issa R. Al Rabia Al Kuwari	Board Member	Non-Executive, Non-Independent
Mr. Abdulla Bin Saeed Al Eidah	Board Member	Non-Executive, Non-Independent
Mr. Nasser Rashid S. Al-Kaabi	Board Member	Non-Executive, Non-Independent
Sheikh Ali Bin Ghanem Bin Ali Al Thani	Board Member	Non-Executive, Non-Independent

Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani Chairman

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

Mr. Abdullatif Bin Abdulla Al Mahmoud Vice-Chairman

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

Mr. Mohamed Bin Issa Al Mohannadi Board Member

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

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

Mr. Abdul Rahman Abdulla Abdul Ghani Nasser Board Member

Member in 'QIB' BOD (since 1996), in the Executive Committee & BOD of 'Al Jazeera' Financing Co. and QIB Policies Committees, Mr. Abdul Ghani holds a B.Sc. (with Honors) in Economics from Boston University, USA.

He is Board member in several national companies, such as the Qatar Industrial Manufacturing Company (QIMCO), and the United Development Company (UDC).

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

Mr. Mansour Mohamed A. Fattah Al Musleh

Board Member

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

Mr. Issa R. Al Rabia Al Kuwari

Board Member

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

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

Mr. Abdulla Bin Saeed Al Eidah

Board Member

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

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

Mr. Nasser Rashid S. Al-Kaabi

Board Member

Member in 'QIB' BOD since 2008 and, in several Committees including the Executive Committee and the 'Privileges & Compensations Committee', which he presides, Mr. Al-Kaabi has a long history of successful business ventures dating back to the Seventies. He is the founder and owner of Al Sraiya Group Holdings, which is now a well-known, large conglomerate.

Mr. Al-Kaabi has been a member of the 'Shourah' (Advisory) Council since 1995 and a member of a host of other organizations including: the Advisory Body of the GCC Supreme Council in addition to his membership in many Boards of Directors and Specific Committees (including Aqar) relative to his activities in business and property development fields.

Sheikh Ali Bin Ghanem Bin Ali Al Thani

Board Member

Holder of a Master's degree in Management from Cambridge University. Chairman of Ali Bin Ghanim Al Thani Group & Vice Chairman of Ghanem Holding Co.'s BOD. Board Member of 3 Stock companies: QIB', 'Al Salam' and, Doha Insurance Company, Deputy Chairman of Gulf Investment Group & Former BOD Member of 'United' Company. Supporting member in the 'Center for Arab Unity Studies' Has many published articles in the commercial sector.

3.5 Board Meetings

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

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

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

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

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

Board Secretary:

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

- Shall make sure that Board members can have full and swift access to all Board meetings minutes, information, documents and records of the Company.
- Ensure that all Board members make use of his services and consultancy.
- His appointment of, or dismissal takes effect only vide a resolution by the Chairman.
- To be preferably a member in a renown professional accountants body or in a Board of Trustees of a chartered company or, an advocate or, to be bearer of a University degree from a renowned university

or the equivalent of such certificate and, to have at least (3) years experience in handling the affairs of a public company listed in the Stock market.

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

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

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

- Board members must be allowed to have full and immediate access to the business-related information. The Executive Committee should provide the Board and its Committees with all requested documents and information.
- Board members must ensure the presence of the Committees of: Recruitment, Remunerations & Bonuses and, oversee the Internal Auditors, representatives of External Auditors for the General Assembly.

- The Board must adopt an awareness program for its newly appointed members to ensure that, upon being elected by voting, they enjoy adequate understanding of how the business's operations are running and what to ensure they are totally aware of their responsibilities.
- Board members are responsible for possessing a good understanding of their roles and duties; undergo a self-training task about financial, commercial and industrial operations and about the Bank's operations and businesses. To this end, the Board has to organize adequate formal awareness courses aiming to consolidate its members' skills and knowledge.
- The Board must keep its members updated with the latest developments in the area of Governance. It may delegate such task to the Audit Committee, the Governance Committee or any other party as deemed proper.
- The Company's Articles of Association comprise clear statements on the termination of the Board members in case of absence from attending its meetings.
- Upon its constitution, the Nomination Committee should approve and publish its framework in a way that clearly indicates its powers and roles.
- The Committee's function should include as well making an annual performance appraisal for the Board.
- The Bank should respect any terms or requirements relative to the Nominee's election or appointment of Board members issued by Qatar Central Bank or any other authority.

In application of Clause (16) of Corporate Governance Rules issued by Qatar Financial Markets Authority, the Bank has constituted a Nomination and Remuneration Committee' to define the policies of disbursing bonuses and link same to the Bank's long term performance. Also, the Bank's Articles of Association and Memorandum of Association state under Clause 33 that the aggregate sum that the Board member may receive under this capacity, as a lump sum salary paid to him regardless of the Company's profit or loss or meetings attendance allowance, shall not exceed QR 20,000 (Twenty thousand Qatari Riyals).

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

- Nomination and appointment of Board members must be according to strict and transparent formal procedures.
- The Board shall constitute a Nomination Committee, headed and formed by Independent members who will suggest the appointment and re-nomination of the Board members to be voted by the General Assembly. Nomination by mentioned Committee does not mean depriving any shareholder from exercising his right to record himself, or to propose someone else for appointment.
- Nominees should take into consideration, among other things, the candidates' capability to allocate sufficient time for assuming their duties as Board members, in addition to possessing the required skills, know-how, professional, technical and academic qualifications and their personalities, based on the "Adequate Guiding Norms for nominating Board Members".

In application of Clause (17) of Corporate Governance Rules issued by QFMA, the Bank has constituted an Audit Committee to which shall be relevant the following functions:

- Internal Audit
- Compliance
- Risk

In application of Clause (20, Clause-1) of Corporate Governance Rules Issued by QFMA in terms of Disclosure, the Bank is bound to all disclosure requisites, including the submission of financial reports and the disclosure of the number of stocks held by each Board member, Executive officer, or prominent shareholder. It discloses as well the necessary information on the Board members including their respective CV's with details on their educational background, profession, memberships in other BOD's and, the names of the various Board Committees' members and structures.

In application of Clause (21) of Corporate Governance Rules Issued by QFMA in terms of Shareholders General Rights and Basis Ownership Elements: shareholders enjoy all the rights granted to them by the relative

Laws and Regulations, including the Governance Chart, Articles of Association and the Board's commitment to respect Shareholders rights to the extent that achieves equity and equality.

In application of Clause (22) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Title records of the Bank as a Qatari Shareholding Company are correct, accurate and regularly updated, as per its Articles of Association, to clarify the ownership of stocks. A shareholder is entitled to peruse and get access to the Company's Shareholders Record, free of charge, during official Work hours. He is also entitled to get copies of the following documents: Shareholders record, Board record, the Company's Articles/Memorandum of Association, Encumbrances documents, Concerned Parties' Contracts or any other documents as stated by Qatar Markets Authority from time to time against charges as decided by said Authority.

In application of Clause (23) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, in respect of Shareholders rights to get information in a way that preserves their rights to get clear and detailed information: the Bank's Articles/Memorandum of Association guarantees under Clause (27) - Chapter 3: Management of the Company, that the Board of Directors shall, three days at least before the meeting of the General Assembly convened to consider the Company's balance sheet and the Board' Statement, put at the disposal of Shareholders, a detailed list of all the amounts disbursed to the Chairman and Board members in addition to the physical distinctions and remunerations proposed for distribution, as well as the amounts allocated for each member (salary, reserve, compensation), the operations contradicting with the Bank's interests, publicity expenses and donations, all approved by the Bank's Auditor.

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

In application of Clause (24) of Corporate Governance Rules Issued by Qatar Financial Markets Authority, the Bank's Articles/Memorandum of Association states, under Clause (39), Shareholders right to call for a General Assembly meeting and the Bank should respond immediately to such call. Shareholders have further the right to discuss or raise any item in General

Assembly meeting's Agenda, address inquiries and get corresponding answers or apply as a group of shareholders representing 10% at least of the Capital to include a specific issue in the Agenda.

In application of Clause (25) of Corporate Governance Rules Issued by QFMA , regarding fair treatment of shareholders and the exercise of the voting right, the Bank's Articles/Memorandum of Association states, under Clause (16) - (Company's Capital) - stated that each share give the right to a quota equal other, without distinction, in the ownership of the Company's Assets and Dividends. Similarly, clause (35) - (General Assembly) - confirms every shareholder' right to attend the General Assembly meetings in person or as delegation. Minors and person placed under custody will be represented by their delegates.

In application of Clause (26) of Corporate Governance Rules issued by Qatar Financial Markets Authority, Board members have been appointed conforming to the Bank's Articles/Memorandum of Association provisions, their qualifications & previous experiences, all being as appended on the Bank' website. It happens also that some shareholders obtain such information from Shareholders Affairs Dept. Finally, details of such information are included in the Corporate Governance Report that is distributed to Shareholders in the General Assembly meeting.

In application of Clause (27) of Corporate Governance Rules issued by QFMA Dividend Distribution Policy: said distribution takes place in line with the Bank's Articles/Memorandum of Association takes place pursuant to shareholders' absolute majority basis approving the profit shares (dividends) to be distributed during the General Assembly meeting which is held once yearly within four months of the year following the end of the Company's financial year, in presence of the External Auditor and QCB representative.

In application of Clause (28) of Corporate Governance Rules Issued by QFMA, Capital is stated in the Bank's Articles/Memorandum of Association under Clause (12)://Company's Capital//, which provides the protection of minority interests- rights, as shareholders are only committed up to each share's value and cannot increase that commitment. Clause (44)-(General Assembly), state that it is not permissible to take

any resolutions on Capital increase or the Company's Contract extending its term, liquidate or sell in full only through Extraordinary General Assembly Meeting.

In application of Clause (29) of Corporate Governance Rules issued by QFMA, the Bank's Articles/Memorandum of Association under clause (27) guarantees that Interested Parties may be provided with reliable adequate and connected information regularly and in reasonable times. Furthermore, the Bank treats

all employees on a pari-passu basis. It has created a Nomination and Remuneration Committee assigned to disburse incentives to the staffs and the Management to the benefit of the Bank, taking in consideration the Bank's performance on the long term. Finally, the Bank has delegated several contact channels to report any violations and has adopted Board-approved policies and procedures to safeguard and protect the staff confidentiality in case of report in any suspicious activity.

3.7 Meetings of Board of Directors and Board Committees

The Board of Directors meetings are held regularly, according to the Bank's Articles of Association and Companies Law, at least six times a year. The meetings are held upon an invitation from chairman or based on a request of two of its members. The Board met eight (8) times during 2014 with the Chairman attending and presiding at all meetings. The number of meetings held by the Board and its Committees are detailed below:

Board and Board Committees	Meetings during 2014
Board of Directors	10
Executive Committee	2
Audit, Risk & Compliance Committee	5
Policies & Procedures Committee	4
Nomination and Remuneration Committee	2
Zakat Committee	4

4. Shari'a Supervision

4.1 Shari'a Supervisory Board

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

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

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

5. Segregation of Duties

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

6. Executive Management Team

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

As of 31st December 2013, the Executive Management of the Bank comprised of the following persons:

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

Mr. Bassel Gamal

Group Chief Executive Officer

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

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

Mr. Tarek Youssef Fawzi

General Manager – Wholesale Banking Group

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

Mr. Rakesh Sanghvi

Group Chief Risk Officer

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

Mr. Gourang Hemani

Chief Financial Officer

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

Mr. Constantinos Constantinides

Chief Strategy Officer

Constantinos Constantinides (Dinos) joined QIB as Chief Strategy Officer to lead the Bank's transformation program. Prior to that Dinos held various senior roles at Al Rajhi Bank for the last eight years. Since 2007, he has been the General Manager of Strategy responsible for business development and regional expansion. Previously he was Deputy General Manager in Retail Banking. As a management consultant with Accenture, he has led several strategic initiatives for European banks and financial institutions. He Holds an MBA in international Strategy from University of Birmingham.

Mr. Khalifa Al Mesallam

AGM – Human Capital Group General

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

Mr. Dorai Anand

General Manager – Personal Banking Group

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

Mr. Salah Al Hail

Chief Real Estate Engineering Officer

He has over 20 years' experience working with reputed financial organisations. Prior to joining QIB, Mr. Salah spent nearly ten years with QNB, the largest bank in Qatar. His duties there ranged from managing a team of staff in the areas of project management, purchasing and procurement, security and safety and real estate management.

Prior to his tenure at QNB, Mr. Al-Hail worked on Qatar's Physical Development Plan as well as other key infrastructure and development projects in the country.

Mr. Giles Cunningham
Chief International Officer

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

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

He is a senior banking executive with over 24 years of experience across Corporate, Retail, Service Quality, Operations, IT and support functions. He started his banking career with Standard Chartered Bank – India and progressed with many leading banks such as: HSBC- India, Times Bank - India, Commercial Bank of Kuwait, National Bank of Dubai, Ahli Bank QSC and National Bank of Egypt. As part of a consulting practice he has last been engaged in an Advisory capacity with Dubai Healthcare City. During his longstanding tenure with international & regional banks, he successfully spearheaded technology transformation projects, organizational restructuring programs, process reengineering and automation initiatives. He holds an MBA in Marketing & Finance from XLRI, Jamshedpur, India, and Bachelor of Technology (Mechanical) from College of Engineering, Trivandrum, India, in addition to Advanced Management Program from Harvard Business School, Boston, USA.

7. Bank Management Committees

1. QIB Management Committee

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

2. Assets and Liabilities Committee – ALCO

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

3. CAPEX Committee

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

4. Credit and Investment Committee

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

investments' performance and issues and approve credit requests. Credit and Investment Committee is responsible to review and evaluate the investment policies and ensure compliance with the Credit policy.

5. Credit Committee

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

6. Special Assets Committee

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

7. Operational Risk Committee

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

8. New Product Committee

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

8. Risk Management

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

Conservative Credit Policy

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

Improved Liquidity Ratios

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

Enterprise-wide Risk Management System

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

Operational Risk

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

9. Internal Audit

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

10. Compliance

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

11. External Audit

Ernst & Young was the appointed external auditors to audit the financial statements of Qatar Islamic Bank for the financial year 2013 inclusive, to report on the outcome of these audits to the Board of Directors and to provide an audit opinion on the financial statements of Qatar Islamic Bank. Furthermore, PwC also audited and reported on the effectiveness of internal control over financial reporting on 31 December 2013. The external auditors attended the meetings of the Audit Committee and the Shareholders' Meeting held in 2013.

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

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

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

12. Corporate Social Responsibility

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

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

13. Environmental Policy

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

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

14. Health Policy

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

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

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

15. Penalties or Fines Imposed on the Bank by Regulatory Authorities

Fines aggregating to QR 58,000 were imposed on the Bank till 31/12/2014 by Qatar Central Bank in respect of breaches of Qatar Central Bank regulations.

16. Material Issues Regarding the Bank's Employees and Stakeholders

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

17. Communication with Stakeholders & Investors and Shareholders

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

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

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

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

SHARI'A SUPERVISORY BOARD REPORT

FOR THE FISCAL YEAR ENDING ON 31ST DECEMBER 2014

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

Upon reviewing the submitted products and transactions, and examining the financial statements and profit and loss statement for the fiscal year 2014, the QIB's Shari'a Supervisory Board has concluded that they do not violate the principles of Islamic Shari'a.

In addition, and upon conducting Shari'a audit via direct supervision of the bank activities to ensure compliance with the Board's decisions, The Shari'a Supervisory Board deems said activities compliant with the Shari'a Supervisory Board rules.

May Allah guide us all to what pleases Him.

Shari'a Supervisory Board

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

Prof. Abdul Sattar Abou Ghodda
Member

Dr. Mohamad Ahmaine
Administrative Member

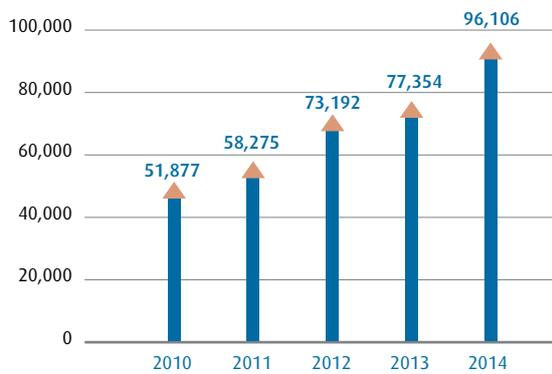
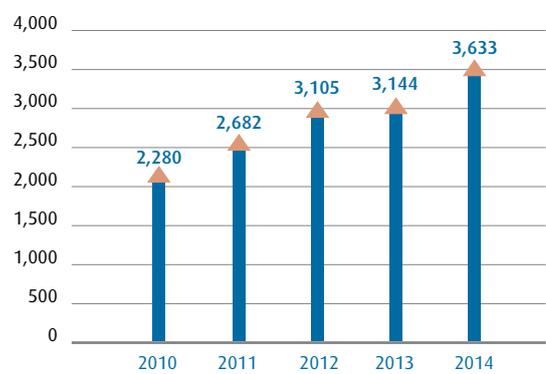
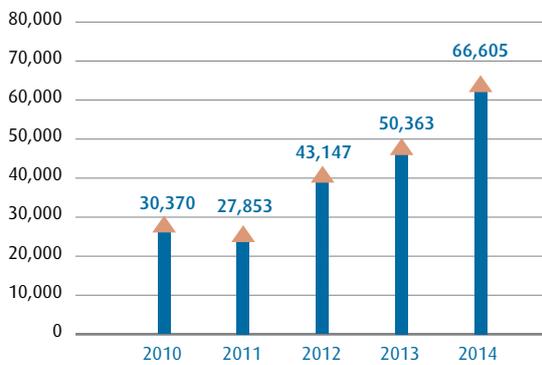
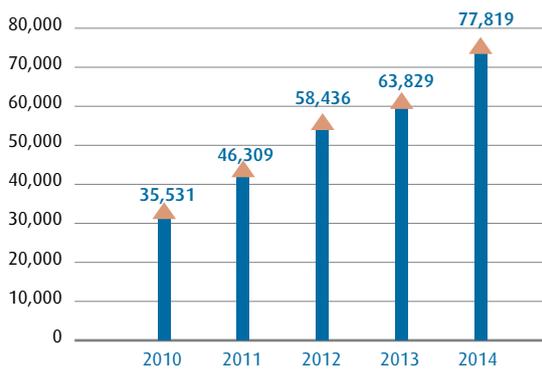
Financial Statements 2014

QIB FINANCIAL HIGHLIGHTS

2010 – 2014

(Amount in QR million)

	2014	2013	2012	2011	2010
Total assets	96,106	77,354	73,192	58,275	51,877
Deposits	66,605	50,363	43,147	27,853	30,370
Financing & investments	77,819	63,829	58,436	46,309	35,531
Operating income	3,633	3,144	3,105	2,682	2,280
General and administrative expenses	846	785	793	701	445
Provisions and depreciation	343	433	551	245	75
Net profit	1,601	1,335	1,241	1,365	1,262
Earnings per share (QR)	6.78	5.65	5.25	5.87	5.87
Total shareholders' equity	12,478	11,860	11,474	11,202	9,052
Share capital	2,363	2,363	2,363	2,363	2,166
Unrestricted investment accounts	51,480	37,893	34,065	18,654	21,639
Customers' accounts	15,125	12,470	9,082	9,198	8,731

Total Assets (Million QR)**Operating Income** (Million QR)**Deposits** (Million QR)**Net Profit** (Million QR)**Financing & Investments** (Million QR)**Share Capital** (Million QR)



INDEPENDENT AUDITORS' REPORT

to the Shareholders of Qatar Islamic Bank (S.A.Q)

We have audited the accompanying consolidated financial statements of Qatar Islamic Bank S.A.Q. ("QIB" or the "Bank") and its subsidiaries (together referred to as the «Group») which comprise the consolidated statement of financial position as at 31 December 2014, consolidated statement of income, consolidated statement of changes in equity, consolidated statement of cash flows, consolidated statement of changes in restricted investment accounts and consolidated statement of sources and uses of charity fund for the year then ended, and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions («AAOIFI»). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, the results of its operations, its cash flows, changes in equity, changes in restricted investment accounts, and source and uses of charity fund for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on other legal and regulatory matters

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group and that we are not aware of any contravention by the Bank of its Articles of Association, the Qatar Commercial Companies Law No. 5 of 2002 and the applicable provisions of Qatar Central Bank regulations and Law No 13 of 2013 during the financial year that would have materially affected the Group's activities or its financial position.

Ziad Nader
of Ernst & Young
Auditor's Registration No. 258

Date: 18 January 2015
Doha
State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		QAR '000s	
	Notes	2014	2013
Assets			
Cash and balances with central banks	9	4,933,474	2,992,762
Due from banks	10	8,931,018	6,348,139
Financing assets	11	59,681,531	47,139,466
Investment securities	12	15,954,396	14,851,841
Investment in associates	13	966,777	741,660
Investment properties	14	1,216,420	792,533
Assets of a subsidiary held for sale	15	61,361	303,133
Fixed assets	16	508,684	436,181
Intangible assets	17	306,589	318,819
Other assets	18	3,546,214	3,429,710
Total assets		96,106,464	77,354,244
Liabilities, equity of unrestricted investment account holders and equity			
Liabilities			
Due to banks	19	8,104,212	6,490,703
Customers' current accounts	20	15,124,873	12,469,798
Sukuk financing	21	5,450,236	5,444,077
Liabilities of a subsidiary held for sale	15	18,688	5,267
Other liabilities	22	1,756,800	1,378,530
Total liabilities		30,454,809	25,788,375
Equity of unrestricted investment account holders	23	51,479,989	37,893,209
Equity			
Share capital	24(a)	2,362,932	2,362,932
Legal reserve	24(b)	6,370,016	6,370,016
Risk reserve	24(c)	1,369,247	1,084,566
General reserve	24(d)	81,935	81,935
Fair value reserve	24(e)	93,199	94,896
Foreign currency translation reserve	24(f)	(29,157)	(49,974)
Other reserves	24(g)	216,820	212,058
Proposed cash dividends	24(h)	1,004,246	945,172
Retained earnings		1,008,760	758,113
Total equity attributable to shareholders of the Bank		12,477,998	11,859,714
Non-controlling interests	25	1,693,668	1,812,946
Total equity		14,171,666	13,672,660
Total liabilities, equity of unrestricted investment account holders and equity		96,106,464	77,354,244

These consolidated financial statements were approved by the Board of Directors on 18 January 2015 and were signed on its behalf by:

Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Bassel Gamal
Group Chief Executive Officer

The attached notes from 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

QAR '000s

	Notes	2014	2013
Net income from financing activities	26	2,444,267	2,003,201
Net income from investing activities	27	648,812	800,879
Total net income from financing and investing activities		3,093,079	2,804,080
Fee and commission income		479,905	364,278
Fee and commission expense		(87,926)	(75,734)
Net fee and commission income	28	391,979	288,544
Net foreign exchange gain	29	72,564	44,084
Share of results of associates	13	51,636	6,181
Other income		23,814	1,331
Total income		3,633,072	3,144,220
Staff costs	30	(535,224)	(494,577)
Depreciation and amortisation	16,17	(73,588)	(63,195)
Sukuk holders' share of profit		(173,519)	(173,519)
Other expenses	31	(311,070)	(290,282)
Total expenses		(1,093,401)	(1,021,573)
Net impairment losses on investment securities	12	(171,439)	(262,750)
Net impairment losses on financing assets	11	(89,913)	(97,383)
Other impairment losses		(8,499)	(9,642)
Net profit from continuing operations before tax		2,269,820	1,752,872
Profit from a subsidiary held for sale	15	1,999	4,062
Net profit for the year before return to unrestricted investment account holders and tax		2,271,819	1,756,934
Return to unrestricted investment account holders before the Bank's share as Mudarib		(1,061,492)	(809,176)
Bank's share as Mudarib		497,230	360,386
Net return to unrestricted investment account holders	23	(564,262)	(448,790)
Net profit for the year before tax		1,707,557	1,308,144
Tax (expense) / credit	32	(39,008)	17,459
Net profit for the year		1,668,549	1,325,603
Net profit for the year attributable to:			
Shareholders of the Bank		1,601,432	1,335,400
Non-controlling interests	25	67,117	(9,797)
Net profit for the year		1,668,549	1,325,603
Earnings per share			
Basic earnings per share (QAR per share)	35	6.78	5.65
Diluted earnings per share (QAR per share)	35	6.78	5.65

The attached notes from 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

QAR '000s

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividends	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2014	2,362,932	6,370,016	1,084,566	81,935	94,896	(49,974)	212,058	945,172	758,113	11,859,714	1,812,946	13,672,660
Change in foreign currency translation reserve	-	-	-	-	20,817	-	-	-	-	20,817	-	20,817
Fair value reserve movement	-	-	-	-	(1,697)	-	-	-	-	(1,697)	-	(1,697)
Net profit for the year	-	-	-	-	-	-	-	-	1,601,432	1,601,432	67,117	1,668,549
Total recognised income and expense for the year	-	-	-	-	(1,697)	20,817	-	-	1,601,432	1,620,552	67,117	1,687,669
Transfer to other reserves (Note 24)	-	-	-	-	-	-	4,762	-	(4,762)	-	-	-
Cash dividends paid to shareholders (Note 24)	-	-	-	-	-	-	-	(945,172)	-	(945,172)	-	(945,172)
Transfer to risk reserve (Note 24)	-	-	284,681	-	-	-	-	-	(284,681)	-	-	-
Proposed cash dividends (Note 24)	-	-	-	-	-	-	-	1,004,246	(1,004,246)	-	-	-
Social and Sports Fund appropriation (Note 41)	-	-	-	-	-	-	-	-	(40,045)	(40,045)	-	(40,045)
Loss on acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(17,051)	(17,051)	-	(17,051)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(186,395)	(186,395)
Balance at 31 December 2014	2,362,932	6,370,016	1,369,247	81,935	93,199	(29,157)	216,820	1,004,246	1,008,760	12,477,998	1,693,668	14,171,666

The attached notes from 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

QAR '000s

	Share capital	Legal reserve	Risk reserve	General reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Proposed cash dividends	Retained earnings	Total equity attributable to the shareholders of the Bank	Non-controlling interests	Total equity
Balance at 1 January 2013	2,362,932	6,370,016	763,213	81,935	86,074	(31,078)	289,080	886,100	665,603	11,473,875	1,577,130	13,051,005
Change in foreign currency translation reserve	-	-	-	-	-	(18,896)	-	-	-	(18,896)	-	(18,896)
Fair value reserve movement	-	-	-	-	8,822	-	-	-	-	8,822	-	8,822
Net profit for the year	-	-	-	-	-	-	-	-	1,335,400	1,335,400	(9,797)	1,325,603
Total recognised income and expense for the year	-	-	-	-	8,822	(18,896)	-	-	1,335,400	1,325,326	(9,797)	1,315,529
Transfer from other reserves (Note 24)	-	-	-	-	-	-	(77,022)	-	77,022	-	-	-
Cash dividends paid to shareholders (Note 24)	-	-	-	-	-	-	-	(886,100)	-	(886,100)	-	(886,100)
Transfer to risk reserve (Note 24)	-	-	321,353	-	-	-	-	-	(321,353)	-	-	-
Proposed cash dividends (Note 24)	-	-	-	-	-	-	-	945,172	(945,172)	-	-	-
Social and Sports Fund appropriation (Note 41)	-	-	-	-	-	-	-	-	(33,385)	(33,385)	-	(33,385)
Loss on acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(20,002)	(20,002)	-	(20,002)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	245,613	245,613
Balance at 31 December 2013	2,362,932	6,370,016	1,084,566	81,935	94,896	(49,974)	212,058	945,172	758,113	11,859,714	1,812,946	13,672,660

The attached notes from 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

		QAR '000s	
	Notes	2014	2013
Cash flows from operating activities			
Profit before tax		1,707,557	1,308,144
<i>Adjustments for:</i>			
Net impairment losses on financing assets	11	89,913	97,383
Net impairment losses on investment securities	12	171,439	262,750
Other impairment losses		8,499	9,642
Depreciation and amortisation	16,17	73,588	63,195
Net gain on sale of investment securities		(447,156)	(39,415)
Dividend income	27	(10,536)	(26,454)
Share of results of associates	13	(51,636)	(6,181)
Profit from investment properties revaluation		24,524	(35,738)
Sukuk amortization		6,160	28,449
Loss from investment revaluation		36,283	4,377
Gain on disposal of investment property	27	(121,209)	(90,112)
Tax expense /(credit)	32	39,008	(17,459)
Net loss on disposal of fixed assets		178	6,766
<i>Profit before changes in operating assets and liabilities</i>			
Change in reserve account with QCB		1,526,612	1,565,347
Change in due from banks		(809,939)	(251,744)
Change in due to banks		(1,044,505)	(406,515)
Change in financing assets		(12,631,978)	(4,099,515)
Change in other assets		116,768	(1,712,445)
Change in due to banks		1,613,509	(3,880,815)
Change in customers' current accounts		2,655,075	3,387,918
Change in other liabilities		86,578	383,758
Dividends received	27	(8,487,880)	(5,014,011)
		10,536	26,454
Net cash used in operating activities		(8,477,344)	(4,987,557)
Cash flows from investing activities			
Acquisition of investment securities		(6,328,050)	(2,529,869)
Proceed from sale of investment securities		5,413,629	1,118,216
Acquisition of fixed assets and intangible assets		(135,083)	(197,777)
Acquisition of associate companies	13	(180,878)	(174,132)
Proceed from sale of associate companies		-	3,039
Acquisition of investment properties	14	(765,760)	(263,049)
Proceed from sale of investment properties		481,425	361,446
Dividends received from associate companies	13	19,600	9,000
Net cash used in investing activities		(1,495,117)	(1,673,126)
Cash flows from financing activities			
Change in equity of unrestricted investment accountholders		13,586,780	3,827,727
Cash dividends paid to shareholders	24	(945,172)	(886,100)
Net cash from financing activities		12,641,608	2,941,627
Net increase (decrease) in cash and cash equivalents		2,669,147	(3,719,056)
Cash and cash equivalents at 1 January		6,523,804	10,242,860
Cash and cash equivalents at 31 December	36	9,192,951	6,523,804

The attached notes from 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the year ended 31 December 2014

QAR '000s

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

The attached notes from 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS (CONTINUED)

For the year ended 31 December 2014

QAR '000s

Investment	At 1 January 2013	Movements during the year					At 31 December 2013
		Investment (withdrawals)	Revaluation	Gross income (loss)	Admin expense	Group's fee as an agent	
Fleet Street Financing 1 Limited	559,424	(559,030)	-	-	(285)	(109)	-
Qatar Equity	120,757	(117,015)	-	(3,742)	-	-	-
Discretionary Portfolio Management	69,351	(49,709)	3,614	(2,815)	-	(14)	20,427
John Spiers	9,744	67	1,544	-	-	(135)	11,220
Wise Capital	5,501	-	(214)	-	-	-	5,287
BLME Sub.	19,489	333	2,889	-	-	(270)	22,441
Eden Rock	10,089	(11,821)	1,891	-	-	(159)	-
ABC Sub.	20,559	(319)	319	-	-	-	20,559
Asian Finance Bank	105,560	(32,760)	-	-	-	-	72,800
Solidarity Group Holding B.S.C	4,441	(3,021)	-	-	-	-	1,420
Al Rayyan	-	2,194	-	-	-	-	2,194
Danat	-	3,567	-	-	-	-	3,567
Edward Hotel	-	20,607	54	-	-	-	20,661
Marsa Al Seef	135,590	(19,438)	-	-	-	-	116,152
QIB-UK	8,811	(8,825)	14	-	-	-	-
Qinvest GCC Basket Trust Certificates	-	18,382	132	304	-	(182)	18,636
	1,069,316	(756,788)	10,243	(6,253)	(285)	(869)	315,364

The attached notes from 1 to 44 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND

For the year ended 31 December 2014

	QAR '000s	
	2014	2013
Source of charity fund		
Earnings prohibited by Sharia'a during the year	-	378
Use of charity fund		
Researches, donations and other uses during the year	5,500	3,042

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

1. REPORTING ENTITY

Qatar Islamic Bank S.A.Q ("QIB" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as Qatari Public Shareholding company under Emiri Decree No. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank's registered office is Doha, State of Qatar, P.O. Box 559. The consolidated financial statements of the Bank for the year ended 31 December 2014 comprise the financial statements of the Bank and its subsidiaries (together referred to as "the Group" and individually as ("Group

entities"). The Bank is primarily involved in corporate, retail and investment banking, and has 29 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (S.A.Q). The Bank's shares are listed for trading on the Qatar Exchange.

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 18 January 2015.

The principal subsidiaries of the Group are as follows:

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2014	2013
Arab Finance House (i)	Lebanon	Banking	99.99%	99.99%
Durat Al Doha Real Estate Investment and Development W.L.L (ii)	Qatar	Investment in real estates	39.87%	39.87%
QIB Sukuk Ltd (iii)	Cayman Islands	Sukuk issuance	–	–
Aqar Real Estate Development and Investment Company ("Aqar") (iv)	Qatar	Investment in real estates	49%	49%
QIB (UK)	United Kingdom	Investment banking	99.43%	99.43%
QIB Sukuk Funding Limited	Qatar	Financing company	100%	100%
QInvest LLC (v)	Qatar	Investment banking	50.13%	47.15%
Verdi Luxembourg SARL (vi)	Luxembourg	Investment in real estates	50.13%	47.15%
Q West (vi)	France	Equity investments	50.13%	47.15%
Q Invest Saudi Arabia (vi)	Saudi Arabia	Investment holding company	50.13%	47.15%
Q Business Services (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
Q Liquidity Limited (vi)	Cayman Islands	Placements	50.13%	47.15%
Q Saudi Alpha (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
Q Saudi Beta (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
Q Saudi Gamma (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
QInvest Holding Mauritius (vi)	Mauritius	Investment holding company	50.13%	47.15%
QInvest Luxembourg SARL (vi)	Luxembourg	Investments	50.13%	47.15%
QInvest Partners LLC (vi)	Qatar (QFC)	Investment holding company	50.13%	47.15%
QWMB Investment WLL (vi)	Bahrain	Investment holding company	–	46.91%
Q Equity (vi)	Cayman Islands	Equity investments	50.13%	47.15%
Q Green (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
Q Exhibit (vi)	Mauritius	Investment holding company	50.13%	47.15%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

1. REPORTING ENTITY (CONTINUED)

The principal subsidiaries of the Group are as follows:

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2014	2013
Q Learn (vi)	Mauritius	Investment holding company	50.13%	47.15%
Fleet Street Financing 1 Limited (vi)	Cayman Islands	Investment holding company	–	47.15%
QI St Edmund's Terrace Limited (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
St. Edmund's Terrace GP Limited (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
SET Investment Management Limited (vi)	Cayman Islands	Investment holding company	50.13%	47.15%
Inner Mauritius Investments Limited (vi)	Mauritius	Investment holding company	50.13%	47.15%
Asian Finance Initiative Corporation (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	47.15%
Q Land Real Estate SPC (vi)	State of Qatar	Real estate investments	–	47.15%
Q Admiral (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	–
QInvest Admiral (vi)	Qatar (QFC)	Investment holding company	50.13%	–
Q Marina (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	–
QInvest Marina (vi)	Qatar (QFC)	Investment holding company	50.13%	–
Q Denmark (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	–
QInvest Denmark LLC (vi)	Qatar (QFC)	Investment holding company	50.13%	–
QInvest Comms Holding LLC (vi)	Qatar (QFC)	Special Purpose Company	50.13%	–
Q Comms (vi)	Cayman Islands	Providing Murabaha facilities	50.13%	–
QI One Wall Street Invest Co. (vi)	Cayman Islands	Investment holding company	50.13%	–
EFH S.a.r.l. (vi)	Luxembourg	Investment holding company	50.13%	–

Notes:

- i) Effective from 1 December 2013 the Bank acquired an additional 62.99% of the share capital of Arab Finance House, from that date it is being reported as a subsidiary.
- ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through management agreement with other shareholders in the Company.
- iii) QIB Sukuk Ltd, was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIB.
- iv) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing highest number of members in the Board.
- v) As per the Articles of Association of QInvest, the Bank has the power to appoint 8 members of the Board of Directors out of 8 members. Further, on 27 February 2014, QInvest LLC in its Extraordinary General Assembly approved buyback of its shares (44,642,857 shares). Due to the buyback of shares from minority shareholders, the QIB shareholding in QInvest LLC has increased to 50.13%.
- vi) The Group has the power to control these entities, indirectly through QInvest LLC and accordingly these entities have been considered as subsidiaries of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group, the applicable provisions of Qatar Central Bank ("QCB") regulations and the applicable provisions of the Qatar Commercial Company's Law No. 5 of 2002. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment securities classified as «Investments at fair value through equity», «Investments at fair value through income statement», «derivative financial instruments» and «investment properties» that have been measured at fair value.

c) Functional and presentation of currency

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

d) Use of estimates and judgments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

i) Business combinations

Accounting for business combinations only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business Combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the total of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in the consolidated statement of income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

i) Business combinations (continued)

Costs related to the acquisition, other than those associated with the issue of debt-type or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in consolidated statement of income.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by: (a) accounting for financial assets and liabilities at their fair value at the acquisition date; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

iii) Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- the activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE;
- the Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

iii) Special purpose entities (continued)

Where the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

iv) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

v) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the Parent are reported in the consolidated statement of financial position in shareholders' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated statement of income as income attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

When the Group fully or partially disposes the subsidiary entity, the difference between the carrying amount of the investment in that entity as at disposal date, and the disposal proceeds, is recognised in the consolidated statement of income. Furthermore, the corresponding goodwill is derecognised proportionately from the Group's consolidated financial statements.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in equity are reclassified to consolidated statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to the consolidated statement of income where appropriate.

vi) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) 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.

vii) Associates

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

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in associate). The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

vii) Associates (continued)

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

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated statement of income.

The Group's share of the results of associates is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform to the accounting policies of the Group.

The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

viii) Joint ventures

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

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

The Group's share of the results of joint ventures is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform with the accounting policies of the Group. Intragroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intragroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

ix) Funds management

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

b) Foreign currency

i) Foreign currency transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency (continued)

i) Foreign currency transactions and balances (continued)

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

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

ii) Foreign operations

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

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

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

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

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

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

c) Investment securities

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

i) Classification

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment securities (continued)

i) Classification (continued)

Debt-type instruments

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

A debt-type investment is classified and measured at amortised cost only if the instrument is managed on a contractual yield basis or the instrument is not held for trading and has not been designated at fair value through the income statement.

Debt-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement. At inception, a debt-type investment managed on a contractual yield basis can only be designated at fair value through income statement if it eliminates an accounting mismatch that would otherwise arise on measuring the assets or liabilities or recognising the gains or losses on them on different bases.

Equity-type instruments

Investments in equity type instruments are classified into the following categories: 1) at fair value through income statement or 2) at fair value through equity.

Equity-type investments classified and measured at fair value through income statement include investments held for trading or designated at fair value through income statement.

An investment is classified as held for trading if acquired or originated principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Any investments that form part of a portfolio where there is an actual pattern of short-term profit taking are also classified as 'held for trading'.

Equity-type investments designated at fair value through income statement include investments

which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated statement of income.

Subsequent measurement

Investments at fair value through income statement are remeasured at fair value at the end of each reporting period and the resultant remeasurement gains or losses is recognised in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment securities (continued)

iii) Measurement (continued)

Investments at fair value through equity are remeasured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

Investments which do not have a quoted market price or other appropriate methods from which to derive a reliable measure of fair value when on a continuous basis cannot be determined, are stated at cost less impairment allowance, (if any).

iv) Measurement principles

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus capital repayments, plus or minus the cumulative amortisation using the effective profit method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. The calculation of the effective profit rate includes all fees and points paid or received that are an integral part of the effective profit rate.

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position

date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

d) Financing assets

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

Murabaha and Musawama

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

Based on QCB regulations, The Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Mudaraba

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financing assets (continued)

Musharaka

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

Ijarah

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

Istisna'a

Istisna'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

Wakala

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

e) Other financial assets and liabilities

i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customers' current accounts, due to banks, Sukuk financing and certain other assets and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

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

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

ii) De-recognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred) and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of income.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Other financial assets and liabilities (continued)

ii) De-recognition of financial assets and financial liabilities (continued)

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of income.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

iii) Offsetting

Financial assets and liabilities are offset only when there is a legal or religious enforceable right to set off the recognised amounts and the Group intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

f) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Impairment of financial assets (continued)

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost)

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

g) Cash and cash equivalents

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

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

h) Investment properties

Investment property held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the statement of changes in equity under fair value reserve. Any unrealized losses resulting from re-measurement at fair value is recognized in the consolidated statement of financial position under fair value reserve to the extent of available balance. In case such losses exceed the available balance, the unrealized losses are recognized in the consolidated statement of income

under unrealized re-measurement gains or losses on investment property. In case there are unrealized losses that have been recognized in the consolidated statement of income in a previous financial year, the unrealized gains related to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated statement of income. Any excess of such gains over such prior-year losses is added to the fair value reserve.

i) Risk Management Instruments

Risk management instruments

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

j) Fixed assets

i) Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the assets and restoring the site on which they are located and capitalised borrowing costs.

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

When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Fixed assets (continued)

ii) Subsequent costs

The cost of replacing a component of fixed asset is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in consolidated statement of income as incurred.

Depreciation is recognised in consolidated statement of income on a straight-line basis over the estimated useful lives of each part of an item of fixed assets since this closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is based on cost of the asset less its estimated residual value. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

	Years
Buildings	20
IT equipments	3-5
Fixtures and fittings	5-7
Motor vehicles	5

Useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible

assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

A summary of the useful lives and amortisation methods of Group's intangible assets are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the

CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

m) Customer current accounts

Balances in current accounts are recognised when received by the Group. The transactions are measured as the amount received by the Group at the time of contracting. At the end of the reporting period, these accounts are measured at amortised cost.

n) Equity of unrestricted investment account holders

Equity of unrestricted investment account holders are funds held by the Group, which it can invest at its own discretion. The unrestricted investment account holders authorises the Group to invest the account holders' funds in a manner which the Group deems appropriate without laying down any restrictions as to where, how and for what purpose the funds should be invested.

The Group charges a management fee (Mudarib fees) to unrestricted investment account holders of the total income from unrestricted investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Distribution of profit between equity of unrestricted investment account holders and shareholders

The Group complies with the directives of the QCB as follows:

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between unrestricted investment account holders and shareholders.
- The share of profit of unrestricted investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the unrestricted investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at year end are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of unrestricted investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

p) Restricted investment accounts

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

q) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears fixed semi-annual profit and mature after 5 years from issuance date. Profits are recognised periodically till maturity. Sukuks are recognised at

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

r) Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

i) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly and the restructuring plan will cause losses to the Group. Future operating losses are not provided for.

s) Employee benefits

i) Defined contribution plans

The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the retirement law, and the resulting charge is included within the staff costs in the consolidated statement of income. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

ii) Employees' end of service benefits

The Group provides a provision for all end of service benefits payable to employees in accordance with the Group's policies, calculated on the basis of individual employee's salary and period of service at the reporting date.

iii) Short-term employee benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service conditions at the vesting date. The fair value of the share awards has been determined using a Monte Carlo simulation model to take into account the market-based performance condition. This is an appropriate model to value a share award where vesting is dependent on the achievement of a share price target.

Measurement inputs include share price at grant date, exercise price of the share award, expected volatility of share price, expected life (in years) of the share award, expected dividend yield, and the risk-free profit rate. Service conditions attached to the transactions are not taken into account in determining fair value.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

t) Share capital and reserves

i) Share issue costs

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

ii) Dividends on ordinary shares

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

u) Revenue recognition

Murabaha and Musawama

Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated statement of income.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated statement of income on declaration by the Mudarib.

In case Mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Group. In case of termination or liquidation, unpaid portion by Mudarib is recognized as receivable due from Mudarib.

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

Ijara

Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Revenue recognition (continued)

Istisna'a

Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

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

Income from investment banking services

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

Fees and commission income

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

Dividend income

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

v) Tax expense

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

w) Earnings per share

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

x) Segment reporting

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

y) Fiduciary activities

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

z) Repossessed collateral

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

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

aa) Earnings prohibited by Shari'a

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

bb) Assets held for sale

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

Assets (or disposal groups or subsidiary held for sale) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell. If the criteria for held for sale is no longer met, the Group shall cease to classify the asset (or disposal group or subsidiary held for sale) as held for sale and shall measure the assets at the lower of its carrying amount before the asset (or disposal group or subsidiary held for sale) was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group or subsidiary held for sale) not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell. An extension of the period required to complete a sale does not preclude an asset (or disposal group or subsidiary held for sale) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group or subsidiary held for sale).

cc) Wakala payables

The Group accepts deposits from customers under wakala arrangement under which return payable to customers is agreed in the wakala agreement. There is no restriction on the Group for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

dd) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management. Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "fee and commission income".

ee) Contingent liabilities

Contingent liabilities include guarantees, letter of credit, the Group's obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements, unless they are remote.

ff) Comparatives

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

gg) Parent bank financial information

Statement of financial position and statement of income of the parent Bank as disclosed in Note 43 and Note 44 respectively are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

hh) New standards and interpretations

The following amendments to IFRS and new IFRSs have been applied by the Group in preparation of these consolidated financial statements whenever there is no applicable FAS Standard. The below were effective from 1 January 2014:

Standard

Investment Entities (Amendment to IFRS 10, IFRS 12 and IAS 27)

Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)

Recoverable Amount Disclosure for Non-Financial Assets (Amendment to IAS 36)

IFRIC 21 Levies

The adoption of the above standards 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, Interpretation and Amendments to Standards are not yet effective.

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

IFRS 9 – Financial Instruments (Effective 1 January 2018)

IFRS 14 – Regulatory Deferral Accounts (Effective 1 January 2016)

IFRS 15 – Revenue from Contracts with Customers (Effective 1 January 2017)

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (Effective 1 January 2016)

Amendments to IAS 16 and IAS 38: Clarification of Acceptance Methods of Depreciation and Amortisation (Effective 1 January 2016)

Amendments to IAS 27: Equity Method in Separate Financial Statements (Effective 1 January 2016)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

4. FINANCIAL RISK MANAGEMENT

a) Introduction and overview

Financial instruments

Financial instruments comprises of all financial assets and liabilities of the Group. Financial assets include cash and balances with central banks, due from banks, investment securities, financing assets, derivative financial assets and certain other assets. Financial liabilities include customers' current accounts, due to banks, Sukuk financing and certain other liabilities. Financial instruments also include equity of unrestricted investment account holders, contingent liabilities and commitments included in off balance sheet items.

Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk
- Other risks

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital.

The Group's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Group's risk management are to identify all key risks for the Group, measure these risks, manage the risk positions and determine capital allocations. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Group's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established various specialized committees that report directly to it and perform functions on its behalf to support efficient management practice which mainly include Board Executive Committee, Audit and Risk Committee, Policies and Procedures Committee, Compensation and Benefits Committee and Zakat Committee.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

4. FINANCIAL RISK MANAGEMENT

a) Introduction and overview (continued)

Risk management framework (continued)

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

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

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

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

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

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

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

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

b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset will fail to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's financing assets, due from banks, investment securities, contingent exposures and certain other assets.

The Group's credit risk management framework includes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

The Credit Committee is responsible for sanctioning high value credits and for the formulation of credit policies and processes in line with growth, risk management and strategic objectives.

In addition, the Group manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk.

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

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	2014	2013
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	4,335,015	2,616,869
Due from banks	8,931,018	6,348,139
Financing assets	59,681,531	47,139,466
Investment securities	14,733,346	13,063,225
Other assets	770,724	500,600
	88,451,634	69,668,299
Other credit risk exposures		
Guarantees	8,640,208	5,308,901
Unutilised financing facilities	6,456,492	5,021,685
Letters of credit	1,623,905	1,188,790
Acceptances	533,329	460,844
	17,253,934	11,980,220

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

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

ii) Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit enhancements attached), as categorised by geographical region and based on the country of domicile of its counterparties:

2014

Assets recorded on the consolidated statement of financial position:

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

2013

Assets recorded on the consolidated statement of financial position:

	Qatar	Other GCC	Other Middle East	Others	Total
Balances with central banks	2,521,729	-	58,252	36,888	2,616,869
Due from banks	1,463,029	2,545,194	612,110	1,727,806	6,348,139
Financing assets	44,355,222	868,780	681,476	1,233,988	47,139,466
Investment securities	12,252,259	628,740	-	182,226	13,063,225
Other assets	395,533	66,431	219	38,417	500,600
	60,987,772	4,109,145	1,352,057	3,219,325	69,668,299

Off balance sheet items

2014

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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

Geographical sectors (continued)

Off balance sheet items (continued)

2013

	Qatar	Other GCC	Other Middle East	Others	Total
Guarantees	4,580,253	84,278	68,105	576,265	5,308,901
Unutilised financing facilities	5,000,849	-	20,836	-	5,021,685
Letters of credit	1,125,021	14	40,484	23,271	1,188,790
Acceptances	141,247	19,790	298,225	1,582	460,844
	10,847,370	104,082	427,650	601,118	11,980,220

Industry sectors

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

	Gross exposure 2014	Gross exposure 2013
Government and related entities	7,575,845	6,714,372
Non-banking financial institutions	3,189,371	1,947,958
Industry	2,859,583	3,945,334
Commercial	6,391,659	6,868,333
Services	7,827,022	2,691,409
Contracting	2,904,123	2,425,104
Real estate	15,590,537	14,761,251
Personal	14,941,145	10,280,436
Others	5,359,766	3,293,465
Total financing assets	66,639,051	52,927,662
Less: Deferred profit	6,399,267	5,324,634
Provision for impairment of financing assets	514,849	425,317
Suspended Profit	43,404	38,245
Net financing assets	59,681,531	47,139,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Credit quality

The following table provides the details for the credit quality:

	Financing assets		Due from banks		Investment securities	
	2014	2013	2014	2013	2014	2013
Neither past due nor impaired:						
Gross amount	63,158,446	49,978,257	8,934,220	6,352,597	-	-
Deferred profit	(6,399,267)	(5,324,634)	(3,202)	(4,458)	-	-
Carrying amount	56,759,179	44,653,623	8,931,018	6,348,139	-	-
Past due but not impaired:						
Carrying amount	2,906,186	2,455,192	-	-	-	-
Impaired						
Substandard (overdue > 3 months)	101,804	63,449	-	-	-	-
Doubtful (overdue > 6 months)	54,916	44,029	-	-	-	-
Loss (overdue > 9 months)	417,699	386,735	-	-	-	-
	574,419	494,213	-	-	-	-
Impairment allowance	(514,849)	(425,317)	-	-	-	-
Suspended profit	(43,404)	(38,245)	-	-	-	-
	(558,253)	(463,562)	-	-	-	-
Carrying amount of impairment (net)	16,166	30,651	-	-	-	-
Investment securities						
At fair value through income statement	-	-	-	-	100,819	-
At amortised cost	-	-	-	-	14,632,527	13,063,225
	-	-	-	-	14,733,346	13,063,225
Total carrying amount	59,681,531	47,139,466	8,931,018	6,348,139	14,733,346	13,063,225

Impaired financing assets and investment in debt-type securities

Individually impaired financing assets and investment in debt-type securities (other than those carried at fair value through income statement) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and profit due according to the contractual terms of the financing / investment security agreements.

Investments in debt-type securities carried at fair value through income statement are not assessed for impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

iii) Credit quality (continued)

Financing assets past due but not impaired

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

	2014	2013
Up to 30 days	2,380,559	1,763,580
30 to 60 days	349,137	365,992
60 – 90 days	176,151	140,636
More than 90 days	339	184,984
Gross	2,906,186	2,455,192

Renegotiated financing assets

Restructuring activities include extended payment arrangements, approved external management plans, and modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated financing assets as at 31 December 2014 amounted to QAR 26.7 million (2013: QAR 25.6 million). These mainly represent Ijarah and Istisna' financing that have been restructured upon completion of underlying assets and based on the expected future cash flows.

iv) Collateral

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

The Group has collateral in the form of blocked deposits, pledge of shares, mortgage interests over properties, and guarantees or legal mortgage against the past dues financing assets.

The aggregate collateral is QAR 1,916 million (2013: QAR 1,745 million) for past due up to 30 days, QAR 96 million (2013: QAR 366 million) for past due from 30 to 60 days, QAR 69 million

(2013: QAR 133 million) for past due from 60 and 90 days, and QAR Nil (2013: QAR 185 million) for past due more than 91 days.

Repossessed collateral

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

Write-off policy

The Group writes off a financing asset or an investment in debt-type security balance, and any related allowances for impairment losses, when Group determines that the financing asset or security is uncollectible and after QCB approval is obtained.

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for risk management instruments etc. Such outflows would deplete available cash resources for client financing, trading activities and investments. In extreme circumstances, lack of liquidity could result in reductions in the consolidated statement of financial position and sales of assets, or potentially an inability to fulfil financing commitments. The risk that the Group will be unable to do so is inherent in all banking operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

i) Management of liquidity risk

The Group maintains a portfolio of high quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis through a Liquidity Management dashboard which captures many liquidity parameters both under normal and stressed market conditions. The dashboard includes

threshold points which will help proactively identify any liquidity constraints, the remedial actions that will be taken under each situation along with the responsible persons. All liquidity policies and procedures are subject to review and approval by ALCO.

The Group monitor its liquidity risk according to QCB's guidelines on Basel III through two key ratios, the Liquidity Coverage Ratio (LCR) to monitor the short term resilience of the bank's liquidity and non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements.

ii) Exposure to liquidity risk

A key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers, i.e total assets by maturities against total liabilities by maturities. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt-type securities for which there is an active and liquid market less any deposits from banks, sukuk issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

iii) Maturity analysis

Maturity analysis of Group's assets, liabilities and equity of unrestricted investment account holders are prepared on the basis of their contractual maturity. For assets, liabilities and equity of unrestricted investment account holders where there is no contractually agreed maturity date, the maturity analysis is done based on the statistical maturity.

2014	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with central banks	1,944,935	-	-	-	2,988,539	4,933,474
Due from banks	8,616,034	242,703	72,281	-	-	8,931,018
Financing assets	6,370,318	3,511,979	6,120,115	13,902,773	29,776,346	59,681,531
Investment securities	2,344,844	496,360	-	5,034,308	8,078,884	15,954,396
Investment in associates	-	-	-	-	966,777	966,777
Investment properties	-	-	-	-	1,216,420	1,216,420
Assets of a subsidiary held for sale	-	-	61,361	-	-	61,361
Fixed assets	-	-	-	-	508,684	508,684
Intangible assets	-	-	-	-	306,589	306,589
Other assets	321,526	95,835	109,017	379,268	2,640,568	3,546,214
Total assets	19,597,657	4,346,877	6,362,774	19,316,349	46,482,807	96,106,464
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	6,777,519	1,233,214	5,476	88,003	-	8,104,212
Customers' current accounts	15,124,873	-	-	-	-	15,124,873
Sukuk financing	-	-	2,727,104	2,723,132	-	5,450,236
Liabilities of a subsidiary held for sale	-	-	18,688	-	-	18,688
Other liabilities	956,014	181,448	419,779	58,908	140,651	1,756,800
Total liabilities	22,858,406	1,414,662	3,171,047	2,870,043	140,651	30,454,809
Equity of unrestricted investment account holders	31,979,351	9,724,355	8,323,566	481,516	971,201	51,479,989
Total liabilities and equity of unrestricted investment account holders	54,837,757	11,139,017	11,494,613	3,351,559	1,111,852	81,934,798
Maturity gap	(35,240,100)	(6,792,140)	(5,131,839)	15,964,790	45,370,955	14,171,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

iii) Maturity analysis (continued)

2013	Up to 3 months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with central banks	809,466	-	-	-	2,183,296	2,992,762
Due from banks	5,090,365	49,877	405,961	801,936	-	6,348,139
Financing assets	4,474,911	4,835,766	4,040,590	15,228,759	18,559,440	47,139,466
Investment securities	9,137,971	-	30,222	1,046,306	4,637,342	14,851,841
Investment in associates	-	-	-	-	741,660	741,660
Investment properties	-	-	-	-	792,533	792,533
Assets of a subsidiary held for sale	-	-	303,133	-	-	303,133
Fixed assets	-	-	-	-	436,181	436,181
Intangible assets	-	-	-	228	318,591	318,819
Other assets	398,427	128,541	97,388	243,300	2,562,054	3,429,710
Total assets	19,911,140	5,014,184	4,877,294	17,320,529	30,231,097	77,354,244
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	4,735,375	108,718	495,303	1,148,767	2,540	6,490,703
Customers' current accounts	12,469,798	-	-	-	-	12,469,798
Sukuk financing	-	-	-	2,723,363	2,720,714	5,444,077
Liabilities of a subsidiary held for sale	-	5,267	-	-	-	5,267
Other liabilities	758,083	65,094	300,167	105,500	149,686	1,378,530
Total liabilities	17,963,256	179,079	795,470	3,977,630	2,872,940	25,788,375
Equity of unrestricted investment account holders	25,974,944	6,649,872	4,572,545	420,363	275,485	37,893,209
Total liabilities and equity of unrestricted investment account holders	43,938,200	6,828,951	5,368,015	4,397,993	3,148,425	63,681,584
Maturity gap	(24,027,060)	(1,814,767)	(490,721)	12,922,536	27,082,672	13,672,660

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as profit rates, credit spreads, foreign exchange rates and equity prices.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group's Market Risk Department on a daily basis. Regular reports are submitted to the ALCO and heads of each business unit.

Non-trading portfolios primarily arise from the profit rate and management of the Group's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification and management of market risk in a prudent way to ensure safeguarding interests of all shareholders. The Group views market risk management as a core competency and its purpose is not to neutralise market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

ii) Exposure to market risks – trading portfolios

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

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

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

	31 December	Average	Maximum	Minimum
2014				
Equity price risk 10-day VaR @99%	53	51	56	46
2013				
Equity price risk 10-day VaR @99%	872	4,337	9,755	872

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

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

	Carrying amount	Repricing in:				Non-profit sensitive	Effective profit rate
		Less than 3 months	3-12 months	1-5 years	More than 5 years		
2013							
Cash and balances with central banks	2,992,762	809,466	-	-	-	2,183,296	-
Due from banks	6,348,139	5,088,808	456,357	802,455	519	-	2.33%
Financing assets	47,139,466	20,109,795	12,799,558	12,539,456	1,690,657	-	4.62%
Investment securities	14,851,841	9,059,428	30,221	3,463,765	1,615,076	683,351	5.01%
	71,332,208	35,067,497	13,286,136	16,805,676	3,306,252	2,866,647	-
Due to banks	6,490,703	3,279,376	604,022	2,581,819	25,486	-	1.48%
Sukuk financing	5,444,077	-	-	5,444,077	-	-	3.19%
	11,934,780	3,279,376	604,022	8,025,896	25,486	-	-
Equity of unrestricted investment account holders	37,893,209	25,975,153	11,222,208	451,085	244,763	-	1.25%
	49,827,989	29,254,529	11,826,230	8,476,981	270,249	-	-
Profit rate sensitivity gap	21,504,219	5,812,968	1,459,906	8,328,695	3,036,003	2,866,647	-
Cumulative profit rate sensitivity gap	-	21,504,219	15,691,251	14,231,345	5,902,650	2,866,647	-

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non - standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in all yield curves worldwide and a 50 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit

2014

At 31 December

2013

At 31 December

	100 bp parallel increase	100 bp parallel decrease
2014 At 31 December	(14.15 million)	14.15 million
2013 At 31 December	(43.17 million)	43.17 million

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

d) Market risks (continued)

iv) Exposure to other market risks – non-trading portfolios

Foreign currency transactions

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

Functional currency of Group entities

Net foreign currency exposure:

	2014	2013
Sterling Pounds	(110,794)	140,039
USD	(1,243,294)	3,016,885
Euro	(58,846)	632,107
Other currencies	56,312	(2,597,389)

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

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

	Increase / (decrease)	
5% change in currency exchange rate	2014	2013
Sterling Pound	(5,540)	7,002
USD	(62,165)	150,844
Euro	(2,942)	31,605
Other currencies	2,816	(129,869)

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through income statement and fair value through equity.

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

Market Indices	Change in equity price %	Effect on equity		Effect on profit and loss	
		2014	2013	2014	2013
Qatar Exchange	+ / - 10%	17,073	8,366	-	1,068
Bahrain Stock Exchange	+ / - 10%	977	3,268	-	-
Damascus Securities Exchange	+ / - 10%	1,829	5,799	-	-
France	+ / - 10%	2,374	31,722	-	-

The above analysis has been prepared on the assumption that all other variables such as profit rate, foreign exchange rate, etc are held constant and is based on historical correlation of the equity securities to the relevant index. Actual movement may be different from the one stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

f) Capital management

Regulatory capital

The Group's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The capital adequacy ratio of the Group is calculated in accordance with the Basel III Committee guidelines (2013: Basel II Committee guidelines) as adopted by the QCB.

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

	2014	2013
	Basel III	Basel II
Tier 1 capital	11,380,321	9,224,557
Tier 2 capital	34,242	492,342
Total regulatory capital	11,414,563	9,716,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Capital management (continued)

Risk weighted assets

	2014	2013
	Basel III	Basel II
Risk weighted assets for credit risk	72,921,313	52,613,788
Risk weighted assets for market risk	243,335	2,052,170
Risk weighted assets for operational risk	4,951,388	4,201,275
Total risk weighted assets	78,116,036	58,867,233
Regulatory capital	11,414,563	9,716,899
Risk weighted assets as a percentage of regulatory capital (capital ratio)	14.6%	16.5%

The capital adequacy ratio relating to 31 December 2014 are calculated as per Basel III requirements (31 December 2013: as per Basel II).

The minimum ratio limit determined by QCB and Basel III is 12.5% (2013: The minimum ratio limit determined by QCB is 10% and Basel II of capital adequacy requirement is 8%).

The capital adequacy ratio has been calculated as per Basel III guidelines with effect from 1st January 2014 in accordance with QCB regulations. The minimum capital adequacy requirement are as follows:

- Minimum limit without capital conservation buffer is 10%
- Minimum limit including capital conservation buffer is 12.5%

5. USE OF ESTIMATES AND JUDGMENTS

a) Key sources of estimation uncertainty

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

i) Allowance for credit losses

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

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the

net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

ii) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in significant accounting policies. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

a) Key sources of estimation uncertainty (continued)

ii) Determining fair values (continued)

Fair value is determined for each investment individually in accordance with the general valuation policies as set out below;

i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.

ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sell transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.

iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.

iv) Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

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

i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted market price (unadjusted) in an active market for an identical instrument.

- **Level 2:** Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- **Level 3:** Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

ii) Financial asset classification

The table below analyses investment securities measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurements categorised:

		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2014	Total			
Assets measured at fair value:				
Investments securities:				
	Quoted equity-type investments classified as fair value through income statement	-	-	-
	Unquoted equity-type investments classified as fair value through income statement	448,902	280,593	168,309
	Quoted equity-type investments classified as fair value through equity	222,899	-	-
	Unquoted equity-type investments classified as fair value through equity	549,249	498,398	50,851
		Fair value measurement using		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2013	Total			
Assets measured at fair value:				
Investments securities:				
	Quoted equity-type investments classified as fair value through income statement	66,394	-	-
	Unquoted equity-type investments classified as fair value through income statement	566,544	149,232	417,312
	Quoted equity-type investments classified as fair value through equity	537,000	-	-
	Unquoted equity-type investments classified as fair value through equity	618,678	581,704	36,974

During the current year and due to changes in market conditions for certain investment securities, quoted prices in active markets were no longer available for certain securities. However, there was sufficient information available to measure fair values of those securities using other valuation techniques. There have been no transactions between level 1 and level 2 during the years ended 31 December 2014 and 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

iii) Useful lives of fixed assets

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

iv) Useful life of intangible assets

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

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

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

vi) Impairment of fair value through equity investments

The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment for fair value through equity investments, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or whether it becomes probable that the investee will enter bankruptcy or other financial reorganization.

vii) Classification of assets held for sale

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

Q West is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in the consolidated financial statements of the Group (31 December 2013: QLand Real Estate SPC was classified as held for sale).

viii) Valuation of investment properties

The Group's subsidiary 'Verdi SA' owns investment properties located in France that have been carried at fair value. In determining the fair value of these investment properties, management has obtained an 'external valuation' as at 31 December 2014 and 2013.

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

As of 31 December 2013, the Assets of QLand predominantly comprise of investment properties, have been classified as "held for sale" and are carried at the fair value less costs to sell in the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

ix) Valuation of investments designated at fair value through income statement

The fair value of unquoted investments designated at fair value through statement of income is determined by management using various valuation techniques. Valuation techniques employed include using a market multiples approach, a discounted cash flow analysis and a comparable transaction approach amongst others. These techniques require management to make certain assumptions and estimates about expected future cash flows, revenues, profits and expected market conditions. Management ensures that in all cases these assumptions are reasonable and realistic.

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are consistent with accepted

economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

x) Going concern

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

6. OPERATING SEGMENTS

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

Wholesale banking	Includes services offered to institutional investors, corporate, other banks, and investment vehicles such as mutual funds or pensions.
Personal banking	Includes services that are offered to individual customers through local branches of the bank which includes checking and savings accounts, credit cards, personal lines of credit, mortgages, and so forth.
Group function	Treasury, Investment, finance and other central functions
Local & international subsidiaries	Local and international subsidiaries include the Groups local and international subsidiaries all of which are consolidated in the Group financial statements

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

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

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At 31 December 2014

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6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

	Wholesale banking	Personal banking	Group function	Local & international subsidiaries	Total
2014					
External revenue:					
Total net income from financing and investing activities	1,457,650	879,513	476,693	279,223	3,093,079
Net fee and commission income	138,439	116,930	21,384	115,226	391,979
Net foreign exchange gain	-	-	64,563	8,001	72,564
Share of results of associates	-	-	42,916	8,720	51,636
Other income	-	-	-	23,814	23,814
Inter segment revenue	(397,383)	154,447	242,936	-	-
Profit from subsidiary held for sale	-	-	-	1,999	1,999
Total segment income	1,198,706	1,150,890	848,492	436,983	3,635,071
Staff costs, other expenses and depreciation and amortisation	(211,856)	(402,998)	(74,664)	(230,364)	(919,882)
Sukuk holders' share of profit	-	-	(173,519)	-	(173,519)
Net return to unrestricted investment account holders	(270,668)	(216,188)	(45,759)	(31,647)	(564,262)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(150,800)	(20,639)	(171,439)
Net impairment losses on financing assets	-	-	(87,163)	(2,750)	(89,913)
Other impairment losses	-	-	(578)	(7,921)	(8,499)
Reportable segment net profit before tax	716,182	531,704	316,009	143,662	1,707,557
Reportable segment assets	44,073,065	14,560,357	33,895,757	3,577,285	96,106,464
Reportable segment liabilities and equity of unrestricted investments account holders	32,341,370	25,923,767	21,491,171	2,178,490	81,934,798

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6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

2013	Wholesale banking	Personal banking	Group function	Local & international subsidiaries	Total
External revenue:					
Total net income from financing and investing activities	1,204,989	738,723	750,264	110,122	2,804,080
Net fee and commission income	134,755	89,161	17,357	47,271	288,544
Net foreign exchange gain (loss)	-	-	49,791	(5,707)	44,084
Share of results of associates	-	-	9,353	(3,172)	6,181
Other income	-	-	-	1,331	1,331
Inter segment revenue	(423,026)	213,786	209,240	-	-
Profit from a subsidiary held for sale	-	-	-	4,062	4,062
Total segment income	916,718	1,041,670	1,035,987	153,907	3,148,282
Staff costs, other expenses and depreciation and amortisation	(217,865)	(370,849)	(73,489)	(185,851)	(848,054)
Sukuk holders' share of profit	-	-	(173,519)	-	(173,519)
Net return to unrestricted investment account holders	(167,114)	(216,731)	(23,549)	(41,396)	(448,790)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(255,149)	(7,601)	(262,750)
Net impairment losses on financing assets	(9,950)	(35,135)	-	(52,298)	(97,383)
Other impairment losses	-	-	(8,793)	(849)	(9,642)
Reportable segment net profit before tax	521,789	418,955	501,488	(134,088)	1,308,144
Reportable segment assets	34,267,160	12,365,437	27,470,061	3,251,586	77,354,244
Reportable segment liabilities and equity of unrestricted investments account holders	22,632,168	23,791,502	15,488,514	1,769,400	63,681,584

Note:

Certain segment income and expenses for the year ended 31 December 2013 were reclassified in the consolidated financial statements to conform to the presentation and classification adopted in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

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7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

	Fair value through equity	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
2013					
Cash and balances with central banks	-	-	2,992,762	2,992,762	2,992,762
Due from banks	-	-	6,348,139	6,348,139	6,348,139
Financing assets	-	-	47,139,466	47,139,466	47,139,466
<i>Investment securities:</i>					
- Measured at fair value	1,155,678	632,938	-	1,788,616	1,788,616
- Measured at amortised cost	-	-	13,063,225	13,063,225	13,063,225
Other assets	-	-	500,600	500,600	500,600
	1,155,678	632,938	70,044,192	71,832,808	71,832,808
Due to banks	-	-	6,490,703	6,490,703	6,490,703
Customers' current accounts	-	-	12,469,798	12,469,798	12,469,798
Sukuk financing	-	-	5,444,077	5,444,077	5,444,077
Other liabilities	-	-	1,378,530	1,378,530	1,378,530
	-	-	25,783,108	25,783,108	25,783,108

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. BUSINESS COMBINATION

Acquisitions in 2014

On 1 May 2014, QIB acquired additional 10% of the voting shares of Asian Finance Bank ("AFB") for a purchase consideration of QR 61 million which raised the total shareholding to 60%. AFB is registered as an Islamic Bank in Malaysia and regulated by Bank Negara Malaysia. The principal business lines of AFB include corporate and retail banking. The Bank does not have "control" over AFB as defined in IFRS 10- Consolidated Financial Statements and FAS 23 - Consolidation under AAOIFI, due to the shareholders agreement. Hence AFB continues to be accounted for as an associate under FAS 24- Investment in Associates under AAOIFI, following the equity method of accounting.

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

Group's share

	31 December 2014	31 December 2013
Total assets	2,117,872	1,602,714
Total liabilities	1,793,299	1,339,833
Total net assets acquired	324,573	262,881
Share of results	8,457	(2,609)
Goodwill	22,048	6,749

Acquisitions in 2013

Entity	Principal activity	Date of obtaining control	Proportion of voting equity interests acquired (%)	Consideration
Arab Finance House	Banking	December 2013	62.99	166,849
Durat Al Doha Real Estate Investment and Development W.L.L	Real estate	January 2013	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

QAR '000s

8. BUSINESS COMBINATION (CONTINUED)

Acquisitions in 2013 (continued)

Arab Finance House L.L.C

On 1 December 2013, QIB acquired additional 62.99% of the voting shares of Arab Finance House ("AFH") and obtained control over the financial and operating activities of AFH with 99.99% of the share capital. AFH is registered as an Islamic Bank in Lebanon and regulated by Banque Du Liban. The principal business lines of AFH include corporate and retail banking.

The fair value of identifiable assets acquired and liabilities assumed of AFH as at the date of acquisition were:

	Fair values at the acquisition date	Carrying amounts immediately prior to acquisition
Assets		
Cash and bank balances	77,904	77,904
Placements with financial institutions	126,614	126,614
Investment securities	85,092	89,352
Financing assets	107,830	120,570
Other assets	128,984	105,324
	526,424	519,764
Liabilities		
Due to banks	180,142	180,142
Customer deposits	138,529	138,529
Other liabilities	62,995	64,099
	381,666	382,770
Net assets		
Non-controlling interest (0.007%)	144,758	136,994
	(9)	(10)
Total net assets acquired	144,749	136,984
Goodwill arising from acquisition	22,100	
Cost of business combination	166,849	
Consideration		
Cash consideration	116,163	
Fair value of QIB's equity interest in Arab Finance House held before the business combination	50,686	
	166,849	
Goodwill arising on step acquisition		
Fair value of consideration		166,849
Plus: non-controlling interests (0.007% in AFH)		9
Less: fair value of identifiable net assets acquired		(144,758)
Goodwill arising on acquisition		22,100

The fair value exercise has been completed and the adjustment to the purchase price allocation have been made on the basis of the final fair value of the net assets acquired based on this the goodwill has been recognised accordingly. The intangibles identified on acquisition of AFH were not material and accordingly were not considered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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8. BUSINESS COMBINATION (CONTINUED)

Acquisitions in 2013 (continued)

Durat Al Doha Real Estate Investment and Development W.L.L

Effective on 1 January 2013, the Group obtained control over the financial and operating policies of its previous associate company "Durat Al Doha Real Estate Investment and Development W.L.L through management agreement with other shareholders in the Company.

Durat Al Doha Real Estate Investment and Development W.L.L is registered as a limited liability company in the state of Qatar under commercial registration number 39916. The company is engaged in real estate investment and development.

The fair value of identifiable assets acquired and liabilities assumed of the company as at the date of acquisition are the same as its carrying amounts immediately prior to acquisition and were as follow:

	Fair values at the acquisition date
Assets	
Cash and bank balances	60
Fixed assets	249
Other assets	1,887,526
	1,887,835
Liabilities	
Due to banks	(1,415,943)
Other liabilities	(92,745)
	(1,508,688)
Net assets	379,147
Non-controlling interest (60.13%)	(228,019)
Total net assets acquired and cost of business combination	151,128
Consideration	
Fair value of Group's share at the acquisition date	151,128
Plus: non-controlling interest	228,019
Less: fair value of identifiable net assets acquired	(379,147)
Goodwill arising on acquisition	-

The non-controlling interests (60.13% ownership interest) recognised at the acquisition date were measured by reference to the fair value of the non-controlling interests and amounted to QR 228,019 thousands.

During 2013, in compliance with the provisions of International Financial Reporting Standard 3 "Business Combinations", the Group has carried out one time "Purchase Price Allocation" (PPA) exercise for the value of the acquisition of the shares of Durat Al Doha Real Estate Investment and Development W.L.L. PPA identifies the value paid for the tangible assets, intangible assets and the goodwill arising on the acquisition. The intangibles identified on acquisition of shares in Durat Al Doha Real Estate Investment and Development W.L.L. were not material and accordingly were not considered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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9. CASH AND BALANCES WITH CENTRAL BANKS

	2014	2013
Cash	598,459	375,893
Cash reserve with QCB (i)	2,941,094	2,178,599
Other balances with QCB	1,275,397	343,130
Balances with other central banks	118,524	95,140
	4,933,474	2,992,762

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

10. DUE FROM BANKS

	2014	2013
Commodity Murabaha receivable	5,095,462	2,057,530
Wakala placements	3,441,947	2,813,878
Mudaraba placements	167,666	446,782
Current accounts	229,145	1,034,407
Deferred profit	(3,202)	(4,458)
	8,931,018	6,348,139

11. FINANCING ASSETS

a) By type

	2014	2013
Murabaha	36,181,819	26,761,937
Musawama	13,767,973	12,071,007
Ijarah Muntahia Bittamleek	14,839,056	12,332,885
Istisna'a	808,719	1,228,995
Mudaraba	472,427	197,691
Others	569,057	335,147
Total financing assets	66,639,051	52,927,662
Less: Deferred profit	6,399,267	5,324,634
Specific impairment of financing assets	514,849	425,317
Suspended profit	43,404	38,245
Net financing assets	59,681,531	47,139,466

The impaired financing assets net of deferred profit amounted to QR 550 million as at 31 December 2014 representing 0.9% of the total financing assets net of deferred profit (31 December 2013: QR 473 million, representing 1 % of the total financing assets net of deferred profit).

Impairment distribution by nature of the customer is as follow:

	2014	2013
Corporate	138,876	112,705
Retail and others	375,973	312,612
	514,849	425,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

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11. FINANCING ASSETS (CONTINUED)

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

	2014	2013
Balance at 1 January	425,317	460,095
Provisions provided during the year	218,920	167,461
Recoveries during the year	(129,007)	(70,078)
Written off during the year	(760)	(100,129)
Adjustments / (Transfer to other assets)	379	(32,032)
Balance at 31 December	514,849	425,317

c) Movement in the impairment of financing assets – sector wise:

	Corporates	SMEs	Retail	Real Estate Mortgages	Total
Balance at 1 January 2014	112,705	7,746	204,473	100,393	425,317
Provisions provided during the year	58,151	2,330	140,261	18,178	218,920
Recoveries during the year	(32,570)	(4,318)	(37,479)	(54,640)	(129,007)
Written off during the year	-	-	(760)	-	(760)
Adjustments	590	-	-	(211)	379
Balance at 31 December 2014	138,876	5,758	306,495	63,720	514,849
Balance at 1 January 2013	125,437	8,678	146,275	179,705	460,095
Provisions provided during the year	63,909	2,187	88,935	12,430	167,461
Recoveries during the year	(7,899)	(3,119)	(29,652)	(29,408)	(70,078)
Written off during the year	(68,742)	-	(1,085)	(30,302)	(100,129)
Transfer to other assets	-	-	-	(32,032)	(32,032)
Balance at 31 December 2013	112,705	7,746	204,473	100,393	425,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2014

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11. FINANCING ASSETS (CONTINUED)

d) By sector

	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
2014							
Government and related entities	7,523,013	-	-	52,794	-	38	7,575,845
Non-banking financial institutions	3,029,455	108	137,965	-	21,841	2	3,189,371
Industry	1,284,443	73,720	1,348,647	1,748	5,818	145,207	2,859,583
Commercial	5,165,908	330,545	832,280	5,949	3,546	53,431	6,391,659
Services	6,237,100	1,053,497	496,179	6,500	25,150	8,596	7,827,022
Contracting	2,102,494	197,708	133,785	45,996	416,072	8,068	2,904,123
Real estate	3,278,653	42,106	11,573,790	695,732	-	256	15,590,537
Personal	3,607,970	11,200,215	-	-	-	132,960	14,941,145
Others	3,952,783	870,074	316,410	-	-	220,499	5,359,766
Total financing assets	36,181,819	13,767,973	14,839,056	808,719	472,427	569,057	66,639,051
Less: Deferred profit							6,399,267
Provision for impairment of financing assets							514,849
Suspended profit							43,404
Net financing assets							59,681,531

Note:

Details of financing assets related to Sukuk backed assets issued during 2010 and 2012 are disclosed in Note 21 to the consolidated financial statements.

	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
2013							
Government and related entities	6,651,510	-	163	62,597	-	102	6,714,372
Non-banking financial institutions	1,926,377	3,903	17,661	-	-	17	1,947,958
Industry	1,558,101	807,578	1,562,933	2,718	-	14,004	3,945,334
Commercial	5,599,803	357,240	601,219	219,672	7,096	83,303	6,868,333
Services	1,137,981	1,026,276	471,337	17,069	28,520	10,226	2,691,409
Contracting	1,861,709	164,054	211,125	15,736	162,075	10,405	2,425,104
Real estate	4,365,217	60,455	9,265,227	911,099	-	159,253	14,761,251
Personal	1,135,265	9,093,893	-	-	-	51,278	10,280,436
Others	2,525,974	557,608	203,220	104	-	6,559	3,293,465
Total financing assets	26,761,937	12,071,007	12,332,885	1,228,995	197,691	335,147	52,927,662
Less: Deferred profit							5,324,634
Provision for impairment of financing assets							425,317
Suspended profit							38,245
Net financing assets							47,139,466

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12. INVESTMENT SECURITIES

	2014			2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
<i>Investments classified as fair value through income statement</i>						
• equity-type investments	-	448,902	448,902	66,394	566,544	632,938
• debt-type investments						
– Fixed rate	100,819	-	100,819	-	-	-
	100,819	448,902	549,721	66,394	566,544	632,938
<i>Debt-type investments classified at amortised cost (i)</i>						
– State of Qatar Sukuk	1,113,440	11,327,321	12,440,761	91,000	11,730,000	11,821,000
– Fixed rate	1,893,777	161,809	2,055,586	868,535	232,050	1,100,585
– Floating rate	136,180	-	136,180	129,106	12,534	141,640
	3,143,397	11,489,130	14,632,527	1,088,641	11,974,584	13,063,225
<i>Equity-type investments classified as fair value through equity</i>						
	222,899	549,249	772,148	537,000	618,678	1,155,678
	3,467,115	12,487,281	15,954,396	1,692,035	13,159,806	14,851,841

Notes:

- The fair value of the investments carried at amortised costs as at 31 December 2014 amounted to QAR 13,989 million (2013: QAR 13,003 million).
- The fair value hierarchy and the transfers between categories of fair value hierarchy are disclosed in Note 5 (b).

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

	2014	2013
Balance at 1 January	847,484	637,422
Charge during the year	171,439	262,750
(Reversals) /adjustments during the year	(159,334)	(52,688)
Balance at 31 December	859,589	847,484

Note:

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired.

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13. INVESTMENT IN ASSOCIATES

	2014	2013
Balance at 1 January	741,660	875,311
Foreign currency translation and other movements	12,203	(8,261)
Investments acquired during the year	180,878	174,132
Share of results	51,636	6,181
Cash dividend	(19,600)	(9,000)
Associate sold	-	(3,039)
Associate transferred to subsidiary	-	(293,664)
Balance at 31 December	966,777	741,660

Name of the Company	Country of Incorporation	Company's Activities	Ownership %	
			2014	2013
Al Jazeera Finance Company (Q.P.S.C)	Qatar	Financing	30.00%	30.00%
Al Daman Islamic Insurance	Qatar	Insurance	25.00%	25.00%
Retaj Marketing and Project Management	Qatar	Real Estate	20.00%	20.00%
Retaj Hotels and Hospitality W.L.L	Qatar	Real Estate	20.00%	20.00%
Retaj Real Estate W.L.L.	Qatar	Real Estate	20.00%	20.00%
Retaj Hotels and Hospitality W.L.L Istanbul	Qatar	Real Estate	20.00%	20.00%
Panmure Gordon & Co. PLC	United Kingdom	Brokerage	43.70%	43.70%
Ambit Corporate Finance	India	Financial Service	29.90%	-
Asian Finance Bank	Malaysia	Banking	60%	50%

The financial position, revenue and result of associates based on its financial statements, as at and for the year ended 31 December 2014 and 2013 are as follows:

31 December 2014	Al Jazeera	Al Daman	Retaj	Panmure Gordon	Ambit Corporate Finance	Asian Finance Bank
Total assets	1,250,720	662,922	270,110	300,962	327,932	3,529,786
Total liabilities	355,612	412,442	120,039	113,616	125,862	2,988,831
Total revenue	149,788	14,572	310,491	172,082	51,575	48,336
Net profit	79,485	9,597	43,598	7,082	22,671	14,095
Share of profit	23,692	4,264	6,611	1,587	6,779	13,793

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13. INVESTMENT IN ASSOCIATES (CONTINUED)

31 December 2013	Al Jazeera	Durat Al Doha	Al Daman	Retaj	Panmure Gordon	Arab Finance House	Asian Finance Bank	MIP/MIP-II
Total assets	2,542,046	535,808	206,471	393,992	3,216,679	-	3,345,537	-
Total liabilities	1,561,736	289,721	119,201	196,809	2,689,082	-	2,783,436	-
Total revenue	64,886	40,047	(15,665)	174,736	40,976	-	69,028	-
Net profit (loss)	18,755	4,212	(295)	1,585	(6,273)	-	(29,978)	-
Share of profit (loss)	5,626	3,541	(59)	(3,112)	(2,614)	2,799	(13,145)	652

Notes:

- Panmure Gordon & Co. PLC is listed on the Alternative Investment Market (AIM) in the UK. The closing share price of Panmure Gordon was QAR 0.74 as at 31 December 2014 (31 December 2013: QAR 0.96) having fair value of QAR 49 million. (31 December 2013: QAR 65 million). The other associate companies are not listed in any stock market.
- The financial statements for the four entities of Retaj have been presented together.

14. INVESTMENT PROPERTIES

	2014	2013
Balance at 1 January	792,533	774,232
Disposals	(265,655)	(271,334)
Addition	765,760	263,049
Changes in fair value	(24,524)	35,738
Exchange rate revaluation	(38,716)	(7,365)
Impairment	-	(1,787)
Net transfers from fixed assets (Note 16)	(12,978)	-
Balance at 31 December	1,216,420	792,533

Note:

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

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

	2014	2013
Assets		
Cash and cash equivalents	37,582	8,354
Investment property	-	294,509
Other assets	23,779	270
Total assets	61,361	303,133
Liability		
Other liabilities	18,688	5,267
Total liability	18,688	5,267
Profit for the year	1,999	4,062

Notes:

- i) During 2014, QInvest LLC has classified all the assets and liabilities of its 100% owned subsidiary "QWest S.A.S.", a limited liability company incorporated under the laws of France, as held for sale. QInvest's subsidiary 'QWest S.A.S.' owns equity investment in a company listed Stock Exchange of France. Significant restructuring was performed in the subsidiary during 2014 including recapitalization of its equity to meet the regulatory requirements and have it ready to sale. The Group intends to sell the subsidiary during 2015 hence the subsidiary has been classified as Held for Sale.
- ii) During the year 2013, QInvest LLC entered into a Murabaha agreement with Q Land Real Estate SPC ("Q Land") that held the legal ownership of leased properties (the "properties"). Under the terms of a commodity Murabaha agreement (without transfer of the legal ownership of the properties), QInvest provided a financing of US\$ 79.6 million (QAR 290 million) to Q Land. In addition to fixed return on Murabaha, QInvest was entitled to 100% of any additional proceeds from the properties. The Murabaha was secured by a mortgage over the properties and an assignment of the lease proceeds to QInvest. In addition and despite the fact that QInvest was not a direct or indirect shareholder in Q Land Real Estate SPC, it had been granted several controlling rights over Q Land Real Estate SPC under an irrevocable power of attorney granted in favor of QInvest for managing, disposing, renting etc. the properties and the Articles of Association of Q Land Real Estate SPC which prohibited Q Land Real Estate SPC from including, but not limited to, disposing of or providing mortgage over any of Q Land Real Estate SPC's assets, appointing and removing Q Land Real Estate SPC's directors, liquidating or dissolving Q Land Real Estate SPC, obtaining any loans from financial institutions and providing any covenants or security in this regard, etc. without the prior written approval of QInvest.

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

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

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16. FIXED ASSETS

	Land and buildings	IT equipments	Fixtures and fittings	Motor vehicles	Total
Cost:					
Balance at 1 January 2014	376,273	140,204	205,369	6,729	728,575
Additions	80,646	8,522	22,341	63	111,572
Net transfers to investment properties (Note 14)	12,978	-	-	-	12,978
Disposals	-	(1,387)	(834)	(453)	(2,674)
Balance at 31 December 2014	469,897	147,339	226,876	6,339	850,451
Balance at 1 January 2013	303,738	113,185	182,458	5,975	605,356
Additions	5,080	25,226	21,085	924	52,315
Acquisition of a subsidiary	67,455	4,026	9,494	418	81,393
Disposals	-	(2,233)	(7,668)	(588)	(10,489)
Balance at 31 December 2013	376,273	140,204	205,369	6,729	728,575
Accumulated depreciation:					
Balance at 1 January 2014	66,187	93,812	127,393	5,002	292,394
Depreciation charged during the year	6,291	19,314	25,832	432	51,869
Disposals	-	(1,336)	(707)	(453)	(2,496)
Balance at 31 December 2014	72,478	111,790	152,518	4,981	341,767
Balance at 1 January 2013	49,839	72,749	100,681	4,721	227,990
Depreciation charged during the year	5,163	19,868	23,771	527	49,329
Acquisition of a subsidiary	11,185	3,267	4,021	324	18,797
Disposals	-	(2,072)	(1,080)	(570)	(3,722)
Balance at 31 December 2013	66,187	93,812	127,393	5,002	292,394
Carrying amounts:					
Balance at 1 January 2013	253,899	40,436	81,777	1,254	377,366
Balance at 31 December 2013	310,086	46,392	77,976	1,727	436,181
Balance at 31 December 2014	397,419	35,549	74,358	1,358	508,684

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At 31 December 2014

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17. INTANGIBLE ASSETS

	Goodwill	Trade marks	Software	Total
Balance at 1 January 2014	252,178	691	65,950	318,819
Additions	870	237	22,404	23,511
Amortisation during the year	-	(257)	(21,462)	(21,719)
Adjustments	(14,022)	-	-	(14,022)
Balance at 31 December 2014	239,026	671	66,892	306,589
Balance at 1 January 2013	216,056	900	32,863	249,819
Additions	36,122	-	45,461	81,583
Acquisition of a subsidiary	-	-	1,283	1,283
Amortisation during the year	-	(209)	(13,657)	(13,866)
Balance at 31 December 2013	252,178	691	65,950	318,819

Note:

Goodwill computation: details on goodwill arising on acquisition are disclosed in Note 8 Business Combination.

Goodwill acquired through the step acquisition of QInvest L.L.C has been allocated to one CGU, which is the investment banking. An impairment testing of the goodwill was undertaken by management as at 31 December 2014. The recoverable amount of the investment in QInvest was determined using the sum of parts method. The sum of parts method requires valuing the different investments of the business separately and adding the values of the different investments of the business together, in the following manner:

- a) Fair value of the fee generating businesses was determined using the discounted cash flow method (DCF)
- b) Fair value of the following investment securities:
 - Fair value through profit and loss was valued using the discounted future cash flows ("DCF")/market method
 - Sukuk investment was valued using the market method
 - Fair value through equity investments ("FVTE") was valued using the DCF/market method
 - Net assets of subsidiaries held for sale was determined using the market method
 - Investment in associate was valued using the DCF method

Key assumptions used in the valuation

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

Discount rate

The discount rate used in the valuation under the DCF method was determined using the weighted average cost of capital (WACC). The WACC is calculated by weighing the required returns on profit-bearing debt and common equity capital in proportion to their estimated percentages in an expected industry capital structure. The cost of equity was estimated using the capital assets pricing model (CAPM).

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18. OTHER ASSETS

	2014	2013
Accrued profit	288,206	423,236
Work in progress (i)	192,375	190,487
Sundry debtors	20,006	62,356
Repossessed collateral (ii)	63,226	63,226
Deferred tax assets	18,073	93,100
Real estate investments of a subsidiary company	-	82
Prepayments and advances	221,667	79,198
Others (iii)	2,742,661	2,518,025
	3,546,214	3,429,710

Notes:

- i) Work in progress represents real estate projects under construction, branches and ATM locations under development and others.
- ii) This represents the net value of the property acquired in settlement of financing assets which is stated at its acquisition value less impairment allowance. The estimated market values of this property as at 31 December 2014 amounted to QAR 71 million (2013: QAR 71 million).
- iii) Others includes properties under development of a subsidiary company amounting to QAR 2,382,514 (2013: QAR 2,184,867).

19. DUE TO BANKS

	2014	2013
Wakala payable	6,558,805	4,619,643
Commodity Murabaha payable	1,347,288	104,664
Current accounts	198,119	1,767,710
Deferred cost	-	(1,314)
	8,104,212	6,490,703

20. CUSTOMERS' CURRENT ACCOUNTS

	2014	2013
<i>Current accounts by sector:</i>		
- Government	201,434	526,064
- Non-banking financial institutions	231,299	181,390
- Corporate	6,189,807	4,707,146
- Individuals	8,502,333	7,055,198
	15,124,873	12,469,798

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21. SUKUK FINANCING

During 2010, through a Sharia'a compliant Sukuk Financing arrangement, and after getting the Sharia'a Board approval, the Bank raised a medium term, maturing on 7 October 2015, finance amounting to QAR 2,713 million net-off the related issuance cost of QAR 17 million to be amortized over its period of maturity (5 years). The Sukuks are listed in London Stock Exchange. The Sukuks bear a fixed profit rate of 3.856% payable to the investors on a semi-annual basis.

Additionally, during 2012, and as part of a Sharia' approved programme to issue QAR 5,460 million Sukuks through a special purpose entity ("QIB Sukuk Ltd"), QAR 2,730 million Sukuks were issued on behalf of the Bank with total issuance cost of QAR 10 million. The Sukuk were issued at an annual fixed profit rate of 2.5% paid semi-annually with a tenor of 5 years maturing in October 2017. The Sukuks are listed in the Irish Stock Exchange. The Sukuks were issued on a capacity of assets' backed Sukuk.

The terms of the two above sukuk's arrangement include transfer of certain identified assets including original leased and Musharaka assets and Sharia'a compliant authorised investments of the Group to QIB Sukuk Funding Limited and QIB Sukuk Ltd, both are subsidiaries of the Group.

The Group controls the assets which will continue to be serviced by the Bank. Upon maturity of the Sukuks, the Bank has undertaken to repurchase the assets at the same issuance price.

The details of financing assets backing the Sukuk as at 31 December are as follows:

At 31 December	2014	2013
Murabaha	3,207,418	3,111,851
Ijarah	4,023,048	4,595,045
Total financing assets to the Sukuk	7,230,466	7,706,896

22. OTHER LIABILITIES

	Note	2014	2013
Accrued expenses		149,338	172,072
Manager cheques		206,390	241,886
Customers advances		57,823	93,560
Employees' end of service benefits	(i)	101,639	91,986
Naps and visa settlements		114,138	97,886
Cash margins		224,679	99,882
Accrued profit to Sukuk holders		40,504	40,504
Contribution to Social and Sports fund		40,045	33,385
Dividend payable		16,026	27,005
Clearing cheques		4,253	7,844
Pension fund		338	650
Others		801,627	471,870
		1,756,800	1,378,530

Note:

(i) Movement in employees' end of service benefits is as follows:

	2014	2013
Balance at 1 January	91,986	90,906
Charge for the year (Note 30)	30,541	23,853
Payments made during the year	(20,888)	(22,773)
Balance at 31 December	101,639	91,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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23. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2014	2013
Unrestricted investment account holders balance before share of profit	51,225,111	37,753,249
Add: Profits for unrestricted investment account holders for the year (a)	564,262	448,790
Less: Profit paid during the year	(314,954)	(326,949)
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	51,474,419	37,875,090

	2014	2013
<i>By type:</i>		
Term accounts	38,182,379	23,528,577
Saving accounts	10,299,195	9,798,684
Call accounts	2,992,845	4,547,829
Total (b)	51,474,419	37,875,090

<i>By sector:</i>		
Retail	18,524,559	17,040,004
Corporate	12,038,298	10,872,765
Non-banking financial institution	11,517,521	4,316,032
Government	7,855,306	5,625,668
Banks	1,538,735	20,621
Total (b)	51,474,419	37,875,090

	2014	2013
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	51,474,419	37,875,090
Share in fair value reserve	5,570	18,119
Total unrestricted investment account holders balance	51,479,989	37,893,209

	2014	2013
Share of unrestricted investment account holders' of the profit for the year	1,061,492	809,176
Less: Mudarib share	(497,230)	(360,386)
Total profit distributed to investment account holders for the year (a)	564,262	448,790

24. EQUITY

a) Share capital

	2014	2013
At 1 January	2,362,932	2,362,932
At 31 December	2,362,932	2,362,932

At 31 December 2014 the authorised and issued share capital comprised of 236 million ordinary shares (2013: 236 million ordinary shares), having a par value of QAR 10 per share.

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

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24. EQUITY (CONTINUED)

b) Legal reserve

In accordance with QCB Law No. 13 of 2013 as amended, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 5 of 2002 and after QCB approval. No appropriation was made in the current year as the legal reserve equal more than 100% of the paid up share capital.

c) Risk reserve

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.5 % of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount transferred to the risk reserve amounted to QAR 284.6 million (2013: QAR 321.3 million).

d) General reserve

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

e) Fair value reserve

2014

Opening balance

Investments carried as fair value through equity:

Movement in fair value through fair value reserve

Plus: Share of equity of unrestricted investment account holders

Revaluation of investment properties:

Movement in investment property fair value

Less: Share of equity to unrestricted investment account holders

Net movement
during the year

94,896

28,397

19,066

(24,524)

(24,636)

93,199

2013

Opening balance

Investments carried as fair value through equity:

Movement in fair value through fair value reserve

Plus: Share of equity of unrestricted investment account holders

Revaluation of investment properties:

Movement in investment property fair value

Less: Share of equity to unrestricted investment account holders

Net movement
during the year

86,074

(8,797)

6,008

35,738

(24,127)

94,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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24. EQUITY (CONTINUED)

f) Foreign currency translation reserve

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

g) Other reserves

Other reserves represent the Group's share in the undistributed profit from investments in associate companies after deducting the received dividends. During the year QAR 4.8 million was transferred to other reserves from retained earnings (2013: QAR 77 million was transferred from other reserves to retained earnings).

h) Proposed cash dividends

The Board of Directors has proposed a cash dividend of 42.5% of the paid up share capital amounting to QAR 1,004 million – QAR 4.25 per share (2013: 40% of paid up share capital amounting to QAR 945 million – QAR 4 per share) which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

25. NON-CONTROLLING INTERESTS

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

26. NET INCOME FROM FINANCING ACTIVITIES

	2014	2013
Murabaha	1,084,368	838,311
Musawama	771,780	661,208
Ijarah Muntahia Bittamleek	528,023	415,105
Istisna'a	39,382	66,432
Mudaraba	17,797	14,562
Others	2,917	7,583
	2,444,267	2,003,201

27. NET INCOME FROM INVESTING ACTIVITIES

	2014	2013
Income from investment in debt-type instruments	445,396	608,781
Net (loss) / gain on sale of equity-type investments	(16,055)	16,163
Net income of inter-bank placements with/from Islamic banks	53,708	4,106
Net gain on sale of debt-type investments	11,465	23,252
Net gain on sale of properties	121,209	90,112
Fair value gain on investment securities carried as fair value through income statement	10,980	17,854
Rental income from investment properties	11,573	14,157
Dividend income	10,536	26,454
	648,812	800,879

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28. NET FEE AND COMMISSION INCOME

	2014	2013
Management fees	82,031	83,683
Fees on letters of credit and guarantees	73,945	57,304
Banking services fees	183,794	144,668
Advisory fees	85,192	23,065
Others	54,943	55,558
	479,905	364,278
Fee and commission expense	(87,926)	(75,734)
Net fee and commission income	391,979	288,544

29. NET FOREIGN EXCHANGE GAIN

	2014	2013
Dealing in foreign currencies	26,874	17,229
Revaluation of assets and liabilities	45,690	26,855
	72,564	44,084

30. STAFF COSTS

	2014	2013
Salaries and other benefits	498,362	462,591
Staff pension fund costs	6,321	8,133
Staff indemnity costs (Note 22)	30,541	23,853
	535,224	494,577

31. OTHER EXPENSES

	2014	2013
Legal and professional fees	29,084	31,310
Rent	44,029	46,521
Service expenses	51,477	50,854
Board of Directors' remuneration	18,000	13,500
IT expenses	40,068	37,293
Advertising and marketing expenses	26,205	24,891
Communication and utilities	36,264	32,962
Subscription fees	7,558	5,102
Repairs and maintenance	5,481	5,319
Insurance costs	3,350	2,386
Other expenses	49,554	40,144
	311,070	290,282

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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32. TAX (EXPENSE) / CREDIT

	2014	2013
Current tax expense		
Current year	(20,354)	(14,008)
	(20,354)	(14,008)
Deferred tax expense		
Origination and reversal of temporary differences	(18,654)	24,727
Recognition of previously unrecognised tax losses	-	6,740
	(18,654)	31,467
Total tax (expense) / credit	(39,008)	17,459

33. CONTINGENT LIABILITIES AND COMMITMENTS

	2014	2013
a) Contingent liabilities		
Unutilised financing facilities	6,456,492	5,021,685
Acceptances	533,329	460,844
Guarantees	8,640,208	5,308,901
Letters of credit	1,623,905	1,188,790
	17,253,934	11,980,220
b) Commitments		
Investment commitment	-	163,800
Other risk management instruments	8,498,951	7,566,595
	8,498,951	7,730,395
Total	25,752,885	19,710,615

Unutilised financing facilities

Commitments to extend credit represent contractual commitments to make financings and revolving financing. The majority of these will expire in the next year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Acceptances, Guarantees and Letters of Credit

Acceptances, guarantees and letters of credit commit the Group to make payments on behalf of customers in case of a specific event. Guarantees and standby letters of credit carry the same credit risk as financing.

c) Lease commitments

Operating lease rentals are payable as follows:

	2014	2013
Within one year	14,654	5,688
After one year but not more than five years	23,996	53,797
More than five years	104,852	86,483
	143,502	145,968

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34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

Geographical sector

Following is the concentration of assets, liabilities and equity of unrestricted investment account holders into geographical sectors regions:

2014	Qatar	Other GCC	Europe	North America	Others	Total
Assets						
Cash and balances						
with central banks	4,748,754	-	-	-	184,720	4,933,474
Due from banks	3,908,879	3,807,300	324,076	5,568	885,195	8,931,018
Financing assets	56,287,095	1,264,550	1,328,577	-	801,309	59,681,531
Investment securities	12,808,365	1,086,710	1,124,948	196,382	737,991	15,954,396
Investment in associates	410,678	-	209,478	-	346,621	966,777
Investment properties	617,015	-	599,405	-	-	1,216,420
Assets of a subsidiary held for sale	-	-	61,361	-	-	61,361
Fixed assets	362,611	-	82,359	-	63,714	508,684
Intangible assets	303,308	316	1,218	-	1,747	306,589
Other assets	3,175,306	101,360	88,461	4,565	176,522	3,546,214
Total assets	82,622,011	6,260,236	3,819,883	206,515	3,197,819	96,106,464
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	4,305,462	3,095,553	346,913	-	356,284	8,104,212
Customers' current accounts	14,949,160	972	12,341	-	162,400	15,124,873
Sukuk financing	5,450,236	-	-	-	-	5,450,236
Liabilities of a subsidiary held for sale	18,688	-	-	-	-	18,688
Other liabilities	1,431,335	41,729	51,232	-	232,504	1,756,800
Total liabilities	26,154,881	3,138,254	410,486	-	751,188	30,454,809
Equity of unrestricted investment account holders	49,556,000	702,364	703,794	14,292	503,539	51,479,989
Total liabilities and equity of unrestricted investment account holders	75,710,881	3,840,618	1,114,280	14,292	1,254,727	81,934,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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34. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)

2013	Qatar	Other GCC	Europe	North America	Others	Total
Assets						
Cash and balances						
with central banks	2,879,595	–	6	–	113,161	2,992,762
Due from banks	1,463,029	2,545,194	311,715	89,989	1,938,212	6,348,139
Financing assets	44,355,222	868,780	792,087	182,000	941,377	47,139,466
Investment securities	11,875,746	938,042	1,121,961	279,505	636,587	14,851,841
Investment in associates	376,331	–	94,435	–	270,894	741,660
Investment properties	179,874	–	612,659	–	–	792,533
Assets of a subsidiary held for sale	303,133	–	–	–	–	303,133
Fixed assets	367,314	349	2,210	–	66,308	436,181
Intangible assets	314,441	589	229	–	3,560	318,819
Other assets	3,103,018	74,052	187,282	1,453	63,905	3,429,710
Total assets	65,217,703	4,427,006	3,122,584	552,947	4,034,004	77,354,244
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	1,654,743	2,554,084	226,363	–	2,055,513	6,490,703
Customers' current accounts	12,281,567	5,171	13,932	64	169,064	12,469,798
Sukuk financing	5,444,077	–	–	–	–	5,444,077
Liabilities of a subsidiary held for sale	5,267	–	–	–	–	5,267
Other liabilities	1,074,378	96,237	46,543	–	161,372	1,378,530
Total liabilities	20,460,032	2,655,492	286,838	64	2,385,949	25,788,375
Equity of unrestricted investment account holders	34,254,013	2,888,071	411,919	5,508	333,698	37,893,209
Total liabilities and equity of unrestricted investment account holders	54,714,045	5,543,563	698,757	5,572	2,719,647	63,681,584

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35. BASIC AND DILUTED EARNINGS PER SHARE

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

	2014	2013
Profit for the year attributable to the shareholders of the Bank	1,601,432	1,335,400
Weighted average number of outstanding shares	236,293	236,293
Earnings per share (QAR)	6.78	5.65

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

	2014	2013
Weighted average number of shares at 1 January	236,293	236,293
Weighted average number of shares at 31 December	236,293	236,293

36. CASH AND CASH EQUIVALENTS

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

	2014	2013
Cash and balances with central banks (excluding restricted QCB reserve account)	1,944,933	814,159
Due from banks	7,248,018	5,709,645
	9,192,951	6,523,804

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37. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties include the major shareholders and entities over which the Group and the shareholders' exercise significant influence, directors and executive management of the Group.

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

	2014			2013		
	Associate companies	Board of Directors	Others	Associate Companies	Board of Directors	Others
Assets:						
Financing assets	248,843	1,232,684	1,258,243	312,457	356,188	93,571
Other assets	-	-	74,466	4	-	-
Liabilities:						
Other liabilities	-	24,243	-	-	-	-
Equity of unrestricted investment account holders	18,101	370,679	-	13,853	116,004	-
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	-	126,412	58,901	639	214,695	360,047
Consolidated statement of income items:						
Financing income	9,761	24,654	2,673	14,523	3,509	1,704
Profit paid on deposits	209	1,463	-	1,333	1,047	-
Others	-	-	45,522	-	-	746

Key management personnel compensation for the year comprised:

	2014	2013
Key management compensation	59,043	62,031

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38. MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2014	2013
Q-Invest L.L.C	Qatar	49.87%	52.85%
Aqar Real Estate Investment and Development	Qatar	51.00%	51.00%
Durat Al-Doha Real Estate Investments	Qatar	60.13%	60.13%
QIB -UK	United Kingdom	0.57%	0.57%
Arab Finance House L.L.C	Lebanon	0.007%	0.007%

Accumulated balances of material non-controlling interest:

	2014	2013
Total non-controlling interest in all subsidiaries	1,693,668	1,812,946

Gain/ loss allocated to material non-controlling interest:

	2014	2013
Total non-controlling interest in all subsidiaries	67,117	(9,797)

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

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

	2014	2013
Total assets	3,246,808	3,565,592
Total liabilities and unrestricted investment accountholders	2,013,454	1,752,665
Total revenue	410,366	141,943
Net gain / losses	67,117	(9,797)

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

	2014	2013
Net cash used in operating activities	(389,718)	(40,045)
Net cash from (used in) investing activities	202,615	(47,440)
Net cash from (used in) financing activities	213,859	(111,717)
Net increase / (decrease) in cash and cash equivalents	26,756	(199,202)

39. ZAKAH

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

40. SHARI'A SUPERVISORY BOARD

The Shari'a Supervisory Board of the Group consists of 3 scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

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41. SOCIAL AND SPORTS FUNDS APPROPRIATION

The Group discharges its social responsibilities through donations to charitable causes and organizations when profits are reported. The Group have created provisions during the year of 2014 by QAR 40 million (2013: QAR 33 million) which represents 2.5% of net profit as per law no.13 for year 2008 and explanatory notes issued for 2010.

42. COMPARATIVE FIGURES

The comparative figures presented for 2013 have been reclassified where necessary to preserve consistency with the 2014 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

43. STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

As at 31 December	2014	2013
ASSETS		
Cash and balances with central banks	4,748,753	2,879,591
Due from banks	7,980,124	5,019,736
Financing assets	59,967,538	48,050,519
Investment securities	17,153,542	15,874,954
Investment in associates	669,927	568,335
Investment properties	927,908	529,484
Fixed assets	350,345	350,960
Intangible assets	64,473	60,924
Other assets	666,569	768,155
TOTAL ASSETS	92,529,179	74,102,658
LIABILITIES		
Due to banks	8,073,932	5,979,261
Customers' current accounts	14,931,536	12,306,675
Sukuk financing	5,450,236	5,444,077
Other liabilities	1,192,649	1,117,784
TOTAL LIABILITIES	29,648,353	24,847,797
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	50,107,955	37,064,387
SHAREHOLDERS' EQUITY		
Share capital	2,362,932	2,362,932
Legal reserve	6,353,459	6,353,459
Risk reserve	1,369,247	1,084,566
General reserve	79,485	79,485
Fair value reserve	23,612	19,904
Foreign currency translation reserve	(18,838)	(18,838)
Other reserves	212,058	212,058
Proposed cash dividends	1,004,246	945,172
Retained earnings	1,386,670	1,151,736
TOTAL SHAREHOLDERS' EQUITY	12,772,871	12,190,474
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY	92,529,179	74,102,658

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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44. STATEMENT OF INCOME OF THE PARENT BANK

For the year ended 31 December	2014	2013
Net income from financing activities	2,332,456	1,943,712
Net income from investing activities	481,400	750,246
Total net income from financing and investing activities	2,813,856	2,693,958
Fee and commission income	367,219	317,737
Fee and commission expense	(90,466)	(76,464)
Net fee and commission income	276,753	241,273
Net foreign exchange gain	64,563	49,791
Share of results of associates	42,916	9,353
Total income	3,198,088	2,994,375
Staff costs	(396,525)	(387,085)
Depreciation and amortization	(61,634)	(55,176)
Sukuk holder's share of profit	(173,519)	(173,519)
Other expenses	(231,359)	(219,942)
Total expenses	(863,037)	(835,722)
Net impairment loss on investment securities	(150,800)	(255,149)
Net impairment loss on financing assets	(87,163)	(45,085)
Other impairment losses	(578)	(8,793)
Profit for the year before return to unrestricted investment account holders	2,096,510	1,849,626
Return to unrestricted investment account holders before the Bank's share as Mudarib	(1,030,045)	(767,780)
Bank's share as Mudarib	497,430	360,386
Less: net return to unrestricted investment account holders	(532,615)	(407,394)
Profit for the year before tax	1,563,895	1,442,232
Profit for the year	1,563,895	1,442,232

