

ANNUAL REPORT 2013

WE ARE A LEADING, INNOVATIVE ISLAMIC BANK ADHERING TO THE HIGHEST SHARI'A AND ETHICAL PRINCIPLES AND MEETING INTERNATIONAL BANKING STANDARDS. WE RESPECT OUR VALUES OF INTEGRITY, TRANSPARENCY AND EXCELLENCE.

AIMING TO BE THE PREFERRED BANK

OUR STRATEGIC MISSION IS TO PROVIDE INNOVATIVE SHARI'A-COMPLIANT FINANCIAL SOLUTIONS AND QUALITY SERVICES TO OUR CUSTOMERS, AND MAXIMIZE RETURNS FOR OUR SHAREHOLDERS AND PARTNERS.



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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



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



**Mr. Mohammad Bin
Abdullatif Al Mana**
Vice-Chairman



**Mr. Abdullatif Bin Abdulla
Al Mahmmoud**
Vice-Chairman



**Mr. Issa R. Al Rabia
Al Kuwari**
Director



**Mr. Mohamed Bin Issa
Al Mohanadi**
Director



**Mr. Abdul Rahman
Abdulla Abdul Ghani**
Director



Mr. Mansour Al Muslah
Director



**Mr. Abdulla Bin
Saeed Al Eidah**
Director



**Mr. Nasser Rashid
S. Al-Kaabi**
Director

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



Bassel Gamal
Group Chief Executive Officer



Rakesh Sanghvi
Chief Risk Officer



Bert de Ruiter
General Manager
Wholesale Banking Group



Dorai Anand
General Manager
Personal Banking Group



Khalifa Al Mesalam
Acting General Manager
Human Capital Group
(Since Dec 2013)



Giles Cunningham
Chief International Officer



Constantinos Constantinides
Chief Strategy Officer



Salah Al-Hail
General Manager
Real Estate Group



Gourang Hemani
Chief Financial Officer

BOARD OF DIRECTORS' REPORT



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 2013.

2013 was a year of effective and positive achievements that allowed us to efficiently manage our key priorities be it in terms of regulations, policies, or the management of certain foreign investments. QIB took various positive steps towards restructuring them to bolster our results, as opposed to being a burden on our financial position.

On the local level, we were successful in bringing stability to QIB's administrative and executive structures by appointing

competent, experienced, and immensely qualified individuals to manage and streamline our operations and comply with the guidelines defined by the regulatory authorities. Furthermore, we broadened our client reach by adding new branches and services, establishing financing and comprehensive product offerings for SMEs and enhancing our client servicing standards. QIB was highly successful in adding a number of new high-profile entities to its client portfolio, including those who have never dealt previously with QIB or any other Islamic bank. QIB provided financing on a direct or syndicated basis to a number of key infrastructure projects and major corporations including Qatar Rail, Kahramaa, Gulf Cement Company, Maran – Naqilat.

THANKS TO THE OVERALL POSITIVE TRENDS IN ITS FINANCIAL INDICATORS, QIB'S NET PROFIT FOR THE FISCAL YEAR 2013 TOTALED QR 1,335 MILLION, REFLECTING A GROWTH RATE OF 7.6% COMPARED TO LAST YEAR. QIB'S TOTAL ASSETS GREW BY 5.7% TO REACH QR 77.4 BILLION COMPARED TO QR 73.2 BILLION IN 2012. WE ARE PURSUING OUR FUTURE INITIATIVES AND PLANS AND WE AIM TO MAKE A QUANTUM LEAP IN 2014 IN TERMS OF SERVICES, BANKING SUPPORT, AND ACCESSIBILITY AS WELL AS TRANSFORM OUR FOREIGN INVESTMENTS INTO EFFECTIVE YIELDS. BASED ON THE 2013 RESULTS, THE QIB ORDINARY ANNUAL GENERAL ASSEMBLY ADOPTED THE BOARD RECOMMENDATION TO DISTRIBUTE A DIVIDEND OF 40% OF THE NOMINAL SHARE VALUE (QR 4 PER SHARE).

QIB also initiated the process of enhancing and strengthening its policies and procedures to adopt globally accepted governance structure within the prevailing regulatory framework. We also made a number of strategic decisions including transformation and upgrade of our information technology platform through implementation of state-of-the-art banking systems including T24 Core Banking system provided by Temenos.

A great deal of focus was also allocated to training, where over 140 training programs were carried out providing over 2,300 training opportunities for QIB employees.

QIB has taken a number of positive steps towards restructuring its foreign investment portfolio, particularly

for investments made through affiliates and subsidiaries in the United Kingdom, Lebanon, and Malaysia. QIB raised its shareholding in these entities to comply with the regulatory requirements and establish a sustainable business model aligned to QIB to generate acceptable profitability for depositors and shareholders.

Our strategy and plans aim at achieving a quantum leap in 2014 in terms of quality of services, banking support and expanding our client reach. Our foreign investments shall start generating positive yields, particularly those made through affiliates and subsidiaries, as we continue to dispose our non-core investments and focus on commercial operations directly under QIB's ambit as an Islamic financial institution while we continue to enhance our operations and risk management framework.

As stated earlier, the results of fiscal year 2013 are a clear indicator that we have effectively managed the matters that negatively impacted our financial position and have paved the way for stellar achievements that were manifested in our consolidated results. QIB's Total Assets grew 5.7% to reach QR 77.4 billion by the end of 2013 compared to QR 73.2 billion in 2012. Customer Deposits saw a steep rise of 16.7% to reach QR 50.4 billion by the end of the fiscal year 2013 compared to QR 43.1 billion in 2012, thus enabling QIB to effectively support the constant growth of assets. Total Revenue for 2013 amounted to QR 3,144 million, reflecting a 1.3% growth, compared to QR 3,105 million last year, with income from financing and investment activities growing by 5% (QR 2,804 million) in 2013 compared to R 2,666 million last year, reflecting a positive growth in QIB's core operating activities. Moreover, QIB managed to raise the quality of its asset portfolio this year, whereby the ratio of non-performing financing assets to total financing assets dropped to 0.9% with provision coverage of 94% compared to non-performing financing ratio of 1.6% and provision coverage of 62% in 2012.

Thanks to the overall positive trends, QIB's net profit attributable to shareholders for the fiscal year 2013 amounted to QR 1,335 million, reflecting a growth rate of 7.6% compared to last year. Based on these results, QIB's Ordinary Annual General Assembly adopted the Board recommendation on the distribution of the 2013 profits to shareholders, at 40% of the nominal share value (QR 4 per share).

In conclusion, allow me to extend, on behalf of the Board of Directors, our most sincere gratitude and appreciation to His Highness the Emir, Sheikh Tamim Bin Hamad Bin Khalifa Al Thani, and His Highness Sheikh Hamad Bin Khalifa Al Thani, the Father Emir, for their continuous support and encouragement to our nation's banking sector.

It would not be fair on my part not to extend our thanks and appreciation to all those working for the state 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 towards QIB, and to the Shari'a Supervisory Board as well as QIB Management and employees for their efforts and dedication. Special thanks go out to Bassel Gamal, Group Chief Executive Officer, for his monumental efforts, experience, and competence, which has helped us in putting our internal affairs in order.

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

Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani
Chairman

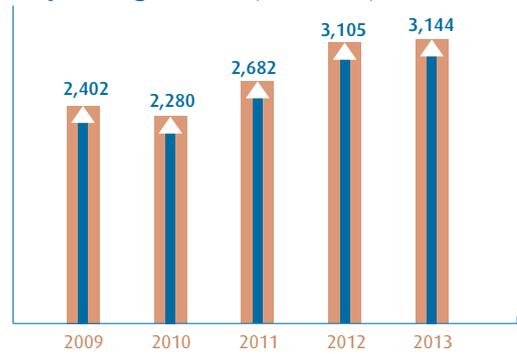
QIB FINANCIAL HIGHLIGHTS

2009 – 2013

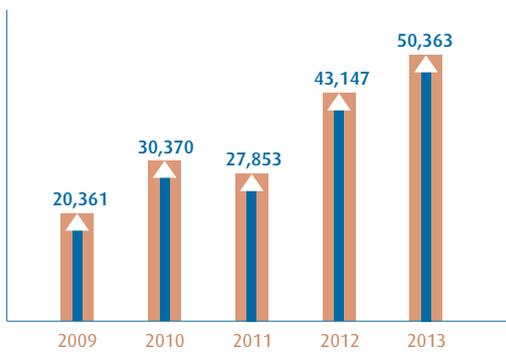
Total Assets (Million QR)



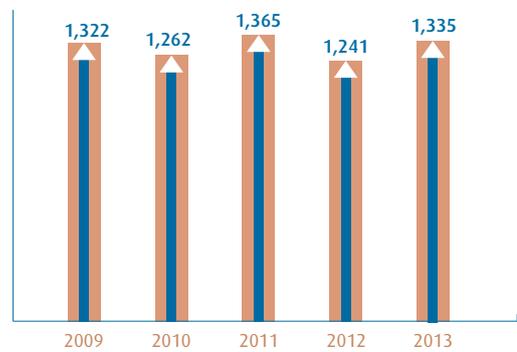
Operating Income (Million QR)



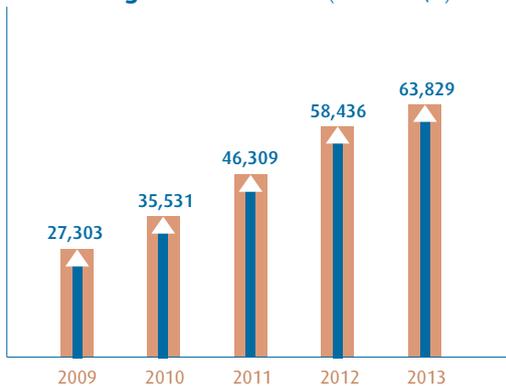
Deposits (Million QR)



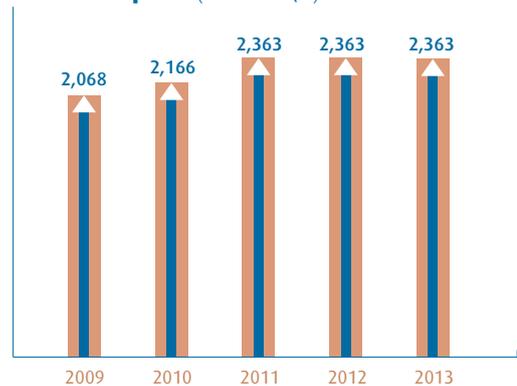
Net Profit (Million QR)



Financing & Investments (Million QR)



Share Capital (Million QR)



GROUP CHIEF EXECUTIVE OFFICER'S REPORT



In 2013 the Qatari economy held sway, achieving a solid growth rate of 6.5%. The International Monetary Fund expects the economy to maintain its high performance, allowing the gross domestic product to grow by an estimated 6% in 2014 on the back of major investment ventures planned by the Government of Qatar. This will undoubtedly help spark further growth of the banking sector, seeing as the aforementioned ventures will require expanded financing operations that will result in growing business volumes for banks.

In light of the global and regional economic trends, and the positive economic climate in Qatar, QIB managed to achieve positive financial results in fiscal year 2013 compared to 2012; customer deposits saw a rise of 16.7%, while financing

activities grew by 9.3%, total assets grew by 5.7%, and net profits grew by 7.6%. Total shareholders' equity of the bank increased by QR 386 million to reach QR 11.9 billion, which helped the Bank to maintain a comfortable capital adequacy ratio of 16.5%. QIB was also able to reduce the ratio of non-performing financing assets to gross financing assets to 0.9% compared to 1.6% for the previous year 2012, reflecting the quality of the Bank's financing assets portfolio and its effective risk management framework as evident in an NPF coverage ratio of 94% up from 62% in 2012.

In the area of personal banking, QIB bolstered services in 2013, achieving a 33% growth rate in operating income and a 29% growth rate in personal financing compared to

OVER THE PAST THREE YEARS, QIB HAS BECOME ONE OF THE TOP THREE PLAYERS IN THE DOMESTIC MARKET IN TERMS OF ASSETS AND FINANCING. THE BANK HAS DEVELOPED CORE CAPABILITIES IN WHOLESALE AND PERSONAL BANKING, AND HAS INVESTED IN NEW BRANCHES, NEW CHANNELS AND NEW PRODUCTS. DURING THE NEXT TWO YEARS, THE FOCUS WILL BE ON SOLIDIFYING OUR LEADERSHIP POSITION AND BUILDING THE NEXT GROWTH ENGINES, WHILE UPGRADING AND CENTRALIZING OPERATIONS AND BOOSTING SERVICE PERFORMANCE. QIB LAUNCHED THE STRATEGIC TRANSFORMATION PROGRAM 'ICAN' BY THE END OF 2013, WITH THE AIM OF UPGRADING THE DEVELOPMENT OF OUR BUSINESS AND IMPROVING THE QUALITY OF OUR SERVICE.

2012, raising it to QR 12.4 billion, with personal banking customer deposits totalling QR 23.7 billion. QIB also made a quantum leap in personal banking services by offering new products that meet the needs of its entire clientele, as well as innovative services to its Affluent (Tamayuz) customers and Private Banking services. A plan was also set in motion in 2013 to implement a modern and dynamic model for QIB branches with the purpose of providing a better environment for its clients. The new and improved changes are already being introduced in a number of branches.

QIB continued to provide Islamic financial solutions to companies in both the public and private sector, as part of its strategy to support the national economy. The Bank

bolstered its SME financing portfolio, with financing provided to the sector tallying QR 1.5 billion for a 170% growth rate compared to 2012. This growth in SME financing came as a result of a successful strategy employed by QIB, aligned with the launch of the "Aamaly" program early in 2013.

Beyond our Qatari borders, QIB managed to register tangible accomplishments in terms of restructuring its international group. As part of this strategy, QIB took full ownership of QIB UK and Arab Finance House in Lebanon, and increased its ownership in Asian Finance Bank to more than 50%. QIB also inaugurated its newest and fully owned foreign branch in Sudan, while new strategic partnerships in countries of interest are being constantly reviewed.

In 2013, the Treasury Group made major strides in enhancing liquidity management and integration of the treasury systems with trading platforms and continues to play a major role in the diversification of funding sources, and reduction of cost of funds. As of 31 December 2013, Treasury was handling 11.5% of the bank's total assets and 13.9% of total liabilities through Murabaha, Wakala and Mudharaba contracts.

We continue to strongly believe that effective risk management is of primary importance to our overall operations. The Bank has developed risk management into a core competence, and now operates a comprehensive risk management process to evaluate, monitor and manage the principal risks it assumes in conducting its activities. These include credit, market and operational risks which include liquidity and reputational risks. The continued growth in our business in 2013 was achieved while ensuring risks were assumed in a measured manner and within our risk framework. Within the challenging economic and financial environment, we maintained our conservative risk profile by reducing exposure to the most likely areas of stress.

Contributing to QIB's modernization 2013 the information technology group has successfully delivered across multiple fronts by extending QIB services to key corporate clients, new retail products, and enhanced customer services as well as business operational efficiencies. Field visits to QIB subsidiaries to assess their current state in terms of technology enabled IT to explore possible leverage of either existing or planned technology capabilities in Qatar.

As part of QIB's strategy, the Bank continued to invest in Human Capital in 2013. QIB achieved 29% Qatarization as of year-end and continues to invest in developing National resources. Additionally Human Capital has also sponsored 28 Qatari students who will become part of the bank's workforce upon successful completion of their education. As per QIB's strategic nationalization plan, the bank is expected to reach 33% Qatarization by the year 2014.

Over the past three years, QIB has become one of the top three players in the domestic market in terms of assets and financing. The Bank has developed core capabilities in Wholesale and Personal Banking, with a segmented approach; it has invested in new branches, new channels, and in new products. During the next two years, the focus is on solidifying its local leadership position and building the next growth engines, while upgrading and centralizing operations and boosting service performance. By the end of 2013, QIB launched the Strategic Transformation Program "iCan", and made decisions to invest in technology and software implementation processes, together with the development of human resources, with the aim of upgrading the development of our business and improving the quality of service provided to customers and the Bank's activities as a whole.

Bassel Gamal
Group Chief Executive Officer

BUSINESS REVIEW



QIB's ultimate goal is to build the benchmark Islamic Bank and a respected global financial brand, with superior performance for shareholders, seamless customer service and the best place to work for employees.

The focus is on solidifying QIB's local leadership position and building the next growth engines, while upgrading and centralizing operations and boosting service performance; expanding and diversifying in corporate and personal banking; acquiring new clients; upgrading risk management and developing new technology platforms.

This in turn will leverage the strong foundation at home to start actively targeting international growth through new operations or acquisitions, thereby moving the Bank to become a truly regional and international entity.

In 2013 QIB increased business volumes across all market segments, having a positive impact on QIB's end of year

financial results, solidifying its position as a leading bank in Qatar. QIB managed to implement successful risk management during 2013, strengthening all prudential ratios and building a strong foundation for future business expansion.

QIB's corporate banking aim is to be the partner of choice to our clients by capitalizing on expertise gained from high calibre individuals in both the marketing and product sides. Customers' lending reached QR 34.2 billion with 2% growth compared to 2012, and customers' deposits reached QR 22.5 billion with a 60% growth.

QIB achieved a considerable growth in Small & Medium Enterprises (SME) financing operations during 2013 as financing exceeded QR 900 million. The financing portfolio of this sector has attained QR 1,312 million since December 31, compared to QR 486 million on 31 December 2012, showing an increase of 170 per cent.

IN 2013 QIB INCREASED BUSINESS VOLUMES ACROSS ALL MARKET SEGMENTS, WHICH HAD A POSITIVE IMPACT ON ITS FINANCIAL RESULTS, STRENGTHENING ITS POSITION AS THE LEADING BANK IN QATAR. QIB REVAMPED ITS RISK MANAGEMENT, STRENGTHENING ALL PRUDENTIAL RATIOS AND BUILDING A STRONG FOUNDATION FOR EXPANSION. QIB'S ULTIMATE GOAL IS TO BUILD THE BENCHMARK ISLAMIC BANK AND A RESPECTED GLOBAL FINANCIAL BRAND, WITH SUPERIOR PERFORMANCE FOR SHAREHOLDERS, SEAMLESS CUSTOMER SERVICE FOR CUSTOMERS AND THE BEST PLACE TO WORK FOR EMPLOYEES. THE BANK AIMS TO BECOME A TRULY REGIONAL AND INTERNATIONAL ENTITY THROUGH NEW OPERATIONS OR ACQUISITIONS.

In the table here below QIB highlights the 8 biggest landmark transactions:

TRANSACTION	AMOUNT	REMARKS
Gulf Marine Services (UAE)	USD 360 Million	Islamic Syndicated Facility
Maran Nakilat	USD 330 Million	Islamic Syndicated Facility
Qatar Solar Technologies Q.S.C.	USD 200 Million	Murabaha
Doha Metro Underground – Red Line North	QR 950 Million	Islamic Syndicated Facility
Ezdan	QR 880 Million	Ijara Finance
Gulf Cement	QR 709 Million	
Doha Metro Underground – Green Line	QR 480 Million	Islamic Syndicated Facility
Qatar Electricity and Water Company (QEWG)	USD 90 Million	Islamic Syndicated Facility

QIB Treasury has made major strides in enhancing liquidity management and integration of the treasury systems with trading platforms, and continues to play a major role in the diversification of funding sources, reducing the Bank's costs of funds. As of 31 December 2013, Treasury was handling 11.5% of the Bank's total assets and 13.9% of total liabilities through Murabaha, Wakala and Mudharaba contracts. The money market and investment portfolio is managed in compliance with the most recent bank-wide risk and regulatory frameworks.

The product structuring desk was set up in 2013 to design, implement, and cross-sell innovative hedging and investment solutions that conform to Shari'a principles. The structuring function has allowed QIB to offer bespoke solutions to clients across business divisions, as well as satisfying any internal requirements. Hedging solutions have allowed both QIB and clients to efficiently manage risks across asset classes. Bespoke structured investments are engineered in-house, and include short term structured deposit products, as well as medium/long term structured investment solutions. A dedicated sales function will assist and support other divisions within QIB to cross-sell solutions to clients.

One of the most recent innovative products developed by the Structuring desk is a highly flexible Shari'a compliant legal framework developed for the purpose of executing a wide range of Shari'a compliant hedging transactions.

The mechanism was used to provide a Shari'a compliant profit rate hedge for a project finance deal – the first of its kind in Qatar. The hedge was linked to the Islamic portion of a USD 500m financing provided by QIB and a consortium of local Islamic and conventional banks to a major local corporate for the construction of a strategic national infrastructure project, a deal which was concluded in Q3 of 2013. QIB's hedging mechanism was selected as the basis for providing the Islamic hedge, and was used by all the Islamic banks involved in the finance deal, due to its robustness and flexibility.

The Personal Banking Group (PBG) had a very 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.

PBG net income increased significantly in 2013 with net operating income reaching QR 413 million – a growth of 33% from 2012. Financing to customers increased to QR 12.37 billion as of December 2013 compared to QR 9.6 billion as of December 2012; a strong growth of 29% and a resultant significant market share gain in customer financing. Customer deposits reached QR 23.7 billion as of December 2013, reflecting a strong balance sheet.

In 2013, QIB launched its new Branch Identity with the opening of 3 new branches in Muaither, Dar-Al-Salam and Shahaniya. The newly redesigned branches aim to provide QIB's valued customers with a fresh banking experience without detaching from the values of the Bank. The layout has been re-designed to optimize the space and make it more welcoming. The open-plan design emphasizes QIB's values of transparency. The use of colours along with white adds to the modern and fresh feel in which to conduct business. Most importantly, the branch features upgraded technology, which – along with the new look and feel – reflects QIB's identity as a progressive Islamic bank.

2013 saw the full roll-out of Tamayuz – the new affluent banking proposition to meet the financial needs of its growing affluent customers. Tamayuz customers will now have access to a team of experienced Relationship Managers to provide personalized service and advice on investment and financial products. Tamayuz customers will also enjoy exclusive benefits, privileges and access to financial products tailor-made to meet their distinct financial needs. In addition, they will have access to priority service in all branches and dedicated Tamayuz centres to conduct their banking transactions in privacy.

Private banking provides customized financial solutions to High Net Worth individuals. During 2013 Private Banking embarked on enhancing its value proposition to this highly value customer segment by offering new investment opportunities, providing increased access to well experienced Relationship Managers and bringing on board new clients to be serviced by the expanded Private Banking division. One of the services launched was the personalized IVR for Private Banking, the first in the market where customers can be recognized and receive individualised services.

During 2013, QIB unveiled its new look Mobile Banking application which enables customers to access a wide range of services via their smartphones. QIB Mobile Banking is



available on the iPhone, BlackBerry and smartphones using the 'Android' operating system. QIB Customers now have access to an extensive array of services that can be accessed anytime, anywhere.

During the year QIB launched several new innovative, Shari'a-compliant products to meet the financial needs of a wide segment of customers.

QIB and QInvest together launched a new range of innovative Shari'a compliant "Shiraa Funds", which make up a range of innovative products investing in a selection of Global Shari'a compliant funds, and spanning across international Equity and Sukuk Markets with the objective of delivering sustainable and attractive long term performance to QIB's clients.

The Auto finance business led the way with tie-ups with more than 20 car dealerships to offer unmatched benefits to QIB customers, ranging from special rates to discounts on car accessories and reduced takaful rates.

QIB cards dominated the market in terms of new card issuance and made significant market share gain in both debit and credit cards. The cards business led the way in launching programmes to benefit card members. One of the best-received programmes was called 'Win your spend back' that was launched in the summer in partnership with Visa, whereby customers could win back the spend made using their debit card during the summer.



Despite difficult market conditions, QIB managed to register tangible accomplishments in terms of restructuring its international group. As part of this strategy, QIB took full ownership of QIB (UK) and Arab Finance House in Lebanon, and increased its ownership in Asian Finance Bank to 50%. QIB also inaugurated its newest and fully owned foreign branch in Sudan, while new strategic partnerships in countries of interest are being constantly reviewed.

Looking forward, the international business goals for 2014 focus on pursuing further acquisition targets and expansion opportunities in line with QIB's international strategy, as well as to continue to reorganize and grow the current international operations.

The core area of focus for the Finance Group in 2013 was consolidating and enhancing its organization and processes to enable efficient partnership with other areas of business in order to cut costs, grow revenue and ensure effective financial control. Finance continued to invest in building a diverse, yet cohesive team and implementing robust information systems to meet the growing business and regulatory requirements.

The Finance Group actively aligned with various lines of business to optimize the Balance Sheet structure through the adoption of sound Asset Liability Management principles. Qatar Central Bank (QCB), in view of building a robust and resilient banking sector, has adopted Basel III and Islamic Financial Stability Board guidelines for capital and liquidity framework. The Finance Group led the Quantitative Impact Study (QIS) requested by Qatar Central Bank prior to rolling out its final guidelines. The Bank has set-up a robust reporting structure for the implementation of these guidelines that became effective during the first quarter of 2014.

The Bank successfully implemented Sungard Profitability as its new management information system during 2013, providing enhanced group performance monitoring. Finance in its key role as a catalyst, provided high levels of decision support and direction that the business demands to drive and evaluate the performance for all levels of the organization.

The Finance Group has enhanced its financial control framework, by establishing detailed product manuals and banking processes and building analytical tools for monitoring the Bank's financial health. Also the group implemented a

revised Funds Transfer Pricing (FTP) methodology, which helps assess net segmental revenue more scientifically, thereby enhancing performance ownership and accountability at each business group level. The cost allocation methodology has been revised to reflect the most appropriate way to identify costs to business segments, thereby assisting in effective cost management and control.

The year 2013 was a successful year for the Human Capital team and the key focus was on implementing the organisation-wide changes and mobilizing new business channels. Major activities included realigning the business model, enhancing organizational effectiveness and improving performance standards and rationalizing cost. In addition, more effort was also given on attracting and developing Qatari National Talent.

As part of the Human Capital's Strategic Nationalisation plan, QIB achieved 29% Qatarization as of year-end and continues to invest in developing National resources. Human Capital has also sponsored 28 Qatari National students as part of its National resource development programme, and they will become part of the Bank's workforce upon successful completion of their education. As per QIB's strategic nationalization plan, the Bank is expected to reach 33% Qatarisation by end of 2014.

One of the critical focus areas for HC was to improve the Learning capability of the organization and enhance skill sets across the Bank. In 2013, Over 2500 learning days were also delivered in 2013 to 3500 participants across various functions in the bank. The Learning & Development initiatives covered major skill requirements in areas like Islamic Banking knowledge, corporate banking and Relationship Management, customer service, product knowledge and specialized trainings in various functional areas. In addition, various programmes for Qatari Nationals Development, Branch Managers' Development Programmes and various Leadership developments were launched. The Learning department also successfully conducted a career path mapping exercise for all employees and career development plans were implemented. In order to develop a self-learning culture in the organisation and to reduce Learning costs, HC introduced a self-learning model through an innovative e-learning solution. Various programmes like Islamic Banking, Anti Money Laundering, and Performance Management were delivered through e-learning, resulting in reduced cost and increased employee coverage.

Key policy gaps were identified and revised and more effective policies and procedures were implemented. As part of HC strategy to develop a high performance culture within the organisation, a key focus was given to enhancing the Performance Management system within the Bank and aligning employee objectives with the organizational objectives. HC also carried out various performance based reward practices like 'Employee of the month' awards, "STAR" awards to inculcate a high performance culture in the Bank. Human Capital also implemented various lucrative Incentive Schemes, for sales teams and branches to motivate the employees to improve performance.

It also worked on identifying key employee expectation gaps in the organisation and formulated a clear employee engagement action plan to improve employee engagement levels in future. HC also set clear operational service standards for HR Operations services, to enhance services provided to internal customers and to meet employee expectations.

HC also carried out various cost optimisation initiatives, resulting substantial cost savings in Business travel, insurance, visa costs, new joiner costs, hiring costs etc. As part of enhancing the process automation, key processes like recruitment, bringing people on board, the employee exit process, and employee document expiry warnings have been fully automated through Oracle HRMS. To improve the MIS capability, HC also implemented Oracle Discoverer for detailed and accurate reporting.

QIB believes that effective risk management is of primary importance to its overall operations. The Bank has developed risk management into a core competence and has a comprehensive risk management process to evaluate, monitor and manage the principal risks it assumes in conducting the Bank's activities. These include credit, market and operational risks which include liquidity and reputational risks.

The continued growth in our business in 2013 was achieved while ensuring risks were assumed in a measured manner and in line with our appetite for such risks. Within the challenging economic and financial environment, we maintained our conservative risk profile by reducing exposure to the most likely areas of stress. We continued to be very selective in our exposure, while ensuring the overall quality of the portfolio remained strong.

QIB's risk management framework is designed to balance corporate oversight with well-defined independent risk management functions. Enhancements continued to be made to the risk management framework throughout 2013, based on guiding principles established by the Board of Directors where:

- Risk decisions are based on transparent, accurate and rigorous analytics
- Accountability through a common platform/framework of risk reporting and managing risk
- Expertise, stature, authority and independence of risk managers; and empowering managers, including risk managers, to make decisions and escalate issues.

In 2013, IT has continued to pursue its formulated vision in positioning QIB for the future and remained focused on its Business As Usual (BAU) value proposition – delivering improved service levels of availability and efficiency, while introducing new technology capabilities that enabled the business to pursue their growth strategy, knowing that the need of the hour is to continue living up to business and customer expectations.

Some of the key projects delivered were the implementation of a Corporate Analytics Platform, Mobile Banking, Payroll Debit Cards, The Group Integration, Finance Origination System (CAS), Two Factor Authentication (OTP), Online Remittances capability (NBE – Egypt), Takaful product – Credit Shield, MIS Profitability, Profit Calculation Module (PCM) Implementation and Enhancements, BASEL II Implementation, Accounts Reconciliation Upgrade, Shareholders Reporting Cheques automation, ALM/FTP Enhancements, FX Profitability Report, Reconciled GLs extraction automation, Upgrade of existing online screening of SWIFT and other payment against watch lists (Siron Embargo), Visually Impaired Customers mandate by QCB, Centralization of Dormant Accounts Management; Account Maintenance; Remittance and Account Opening, Automation of QCB Salary Processing; Corporate salaries upload and processing; Cards reconciliation across multiple systems and Bank-wide restrictions on accessing staff accounts information and statements, Sudan Branch implementation on Temenos (T24) core banking platform, QIB International Sharepoint, IBAN Implementation, Qatar Interbank Mandates (TERMS), Print Checks Phase – II, ECC-Phase1 Administration Management System and NGDC eETL Re-architecture & Migration.

Operations continue to play a major part in leading service delivery through various initiatives of automations, centralization, re-engineering end-to end processes and colleague engagements.

Operations, ICD and BSD Division have made progress in creating a more agile division through layering organisation structure and centralizing control functions. Our focus will continue to improve middle management, bringing our top team closer to the customers and front-line staff.

To help ensure individuals are acting in the best interest of customers and towards the Bank's vision, a CSMART balance scorecard was implemented to measure performance across building efficiency and effectiveness to the Bank's processes and service delivery.

Our Better, Faster, Cheaper programme continues to focus on creating a more efficient, agile division, reducing cost in the business whilst improving the customer and colleague experience. For example:

- **Centralization:** Key processes to optimise and improve efficiency and synergies with customer facing units in areas such as account opening and account related services, Death Claim Settlements, Dormant Account Re-activations, Standing Order Maintenance & Remittance Processes.
- **Automation:** We have Implemented 10 process across the business in order to improve processing TAT, reduce processing errors, improve controls and improve the customer experience. We also continue to support our business partners in migrating products to digital distribution channels, encompassing the internet.
- **Cost Reduction:** Implement various cost minimizing initiatives such as extended visa priority pass and Debit Card validity period, Rationalizing Qmile Earn Ratio & Paid Bonus Qmiles.
- **Risk Management:** Progressive improvements have been made in reducing the risk in Operations processes. The risk of process weaknesses and control deficiencies in processes are addressed timely and mitigated accordingly.

RATING & AWARDS

Rating

Over the past 30 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 – May 2013

QIB has once again received an 'A' rating (indicating a 'stable outlook') for its long-term Issuer Default Rating (IDR) from internationally-renowned ratings agency Fitch. Its Viability Rating (VR) has also remained at 'bbb'. This is the third year in a row that QIB has achieved its 'A' rating in its headline IDR, reflecting a healthy capitalisation, steady core earnings, a solid stock of liquid assets, its leading Islamic franchise and the Bank's management in what remain uncertain economic conditions worldwide.

Capital Intelligence (CI) – April 2013

QIB has affirmed by international credit rating agency, Capital Intelligence (CI), with a Financial Strength Rating (FSR) of 'A' in its latest report issued in April 2013. The 'A' rating for QIB from CI, one of the highly respected international credit rating agencies, reflects the Bank's strong Islamic banking franchise, evidenced by substantial growth in financings and customer deposits, a strong net financial income differential, and the Bank's good capitalisation. CI has attributed this positive trend to QIB's strategic transformation which has provided greater momentum to operating profit, with more focus on profitable core businesses.

Standard & Poor's – July 2012

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

Over the past 30 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.

Awards 2012 – 2013

- Islamic Bank of the Year, Qatar 2013 by The Banker magazine
- Best Islamic Bank in Qatar 2012 from Islamic Finance News (IFN)
- Best Islamic Bank in Qatar 2012 from Euromoney
- Best Sukuk Deal 2012 from World Finance
- Best Islamic Bank in Qatar 2012 from World Finance
- Best Asset Manager Europe/Australia/America 2012 for QIB-UK from Islamic Business & Finance Awards
- Banking in Excellence Special Category – Regional 2012 from IAIR Awards
- The Best Islamic Financial Institution in Qatar by Global Finance in 2012. The award recognises QIB's successes in contributing to the growth of Islamic Banking both locally and internationally

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% 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 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.



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.



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 2013, QIB achieved a number of notable milestones in its Corporate Social Responsibility (CSR) program .They include:

- Providing sponsorship to 28 Qatari students to study finance, economics and business of the Bank.
- Providing over QR 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.
- Contributing to support campaigns directed at Syrian refugees and those affected by the disasters that struck the Philippines and Somalia.

QIB'S VISION OF CORPORATE SOCIAL RESPONSIBILITY IS APTLY GUIDED BY A NUMBER OF PRINCIPLES AND OBJECTIVES - BUILDING EFFECTIVE SOCIAL COMMUNICATION WITH ALL SOCIETY SECTORS, COOPERATING POSITIVELY TO A RANGE OF ACTIVITIES WITHIN SOCIETY, CONTRIBUTING TO CHARITABLE ACTIVITIES AND SUPPORTING THEIR OPERATIONS AND PLAYING AN ACTIVE ROLE IN SOCIETY. AT QIB, WE VIEW CORPORATE SOCIAL RESPONSIBILITY AS A MANAGEMENT CONCEPT WHEREBY SOCIAL AND ENVIRONMENTAL CONCERNS ARE INTEGRATED INTO BUSINESS OPERATIONS AND INTERACTIONS WITH STAKEHOLDERS. IN 2013, QIB ACHIEVED A NUMBER OF CORPORATE SOCIAL RESPONSIBILITY (CSR) MILESTONES.

- 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.
- Sponsoring the Hajj bag for the fifth pillar Hajj and Umrah campaign and the First Aid bag for pilgrims on behalf of the Qatar Red Crescent Society.
- 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 tenth consecutive year, QIB sponsored the Ramadan supplement printed daily during the Holy Month by Qatar's Al Sharq newspaper.
- QIB participated at Carnegie Mellon University's Professional Day, a career and networking fair, which provides students an opportunity to explore job opportunities with the bank.

CORPORATE GOVERNANCE REPORT 2013

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.

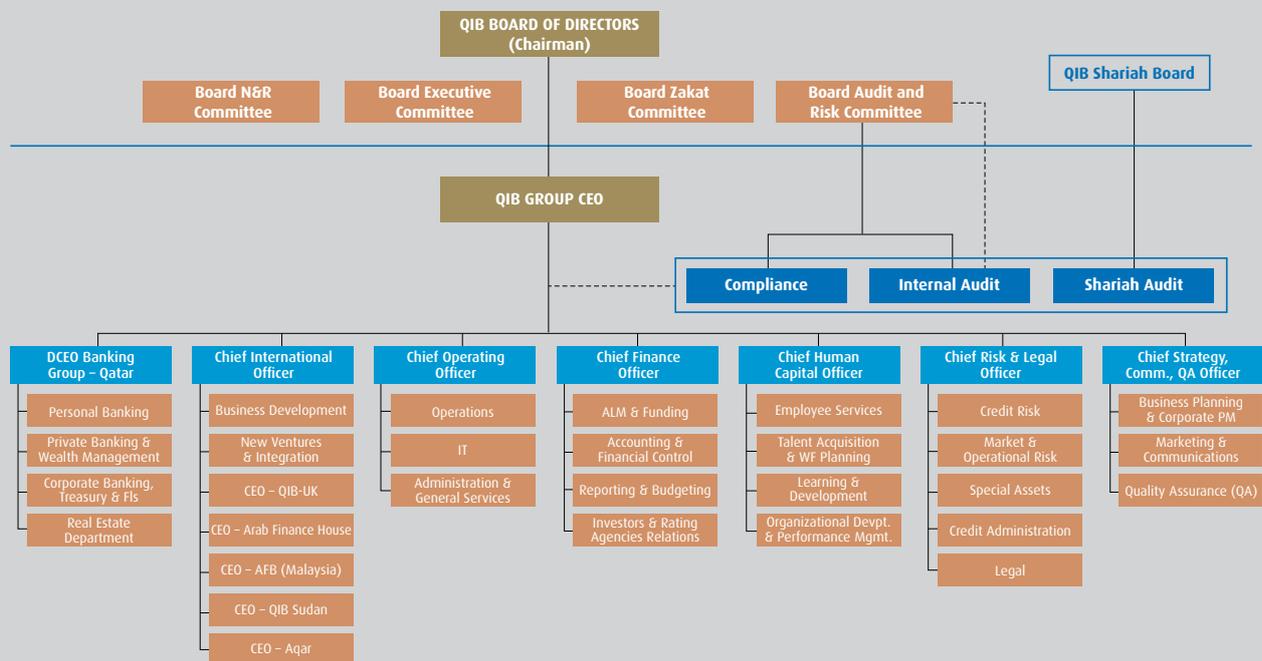
Effectively, 'QIB' has adopted a formal framework for Corporate Governance that covers all the aspects of Governance in Qatar Islamic Bank. Approval and implementation of an integral set of Policies and Procedures have been included in that framework in addition to the comprehensive

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 Behavior for Board Members.

In this respect, the Bank, in fulfillment 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 2011 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 behavior 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 departments 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 fulfill 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 dishonor 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 favor 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. Mohammad Bin Abdullatif Al Mana	Vice-Chairman	Executive, Non-Independent
Mr. Abdullatif Bin Abdulla Al Mahmoud	Vice-Chairman	Executive, Non-Independent
Mr. Mohamed Bin Issa Al Mohammadi	Board Member	Executive, Non-Independent
Mr. Abdul Rahman Abdulla Abdul Ghani	Board Member	Executive, Non-Independent
Mr. Mansour Al Musleh	Board Member	Executive, Non-Independent
Mr. Issa R. Al Rabia Al Kuwari	Board Member	Executive, Non-Independent
Mr. Abdulla Bin Saeed Al Eidah	Board Member	Executive, Non-Independent
Mr. Nasser Rashid S. Al-Kaabi	Board Member	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., Arcapita-Bahrain bank and, Credit Suisse-Zurich).

Mr. Mohammad Bin Abdullatif Al Mana

Vice-Chairman

Member in 'QIB' BOD since 1996. Mr. Mohammad Bin Abdullatif Al Mana' is Deputy Chairman since 2005.

Mr. Al Mana' holds a Bachelor degree in Shari'a & Islamic Studies from Qatar University on June 1978. He worked with the Ministry of Endowments & Islamic Affairs until becoming the Minister of Endowments & Islamic Affairs till April 2005.

At present, Mr. Al Mana' is: Chairman of Al Jazeera Financing Co., CEO of 'Aqar' for Development & Property Investment Co., Board member in the Syrian International Islamic Bank and, Chairman of the Arab Finance House in Lebanon. He also participated in the foundation of 'Ritaj' Property Investment Co. and is Board member in other BOD's.

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 and member in the QIB Audit & Risks Committee, 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.

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 endeavor 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 renown 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.

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".
- 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 (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's 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's 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.

3.6 Board Committees

To appropriately manage its duties the Board of Directors are assisted by five specialised committees that report directly to it and perform functions on its behalf to support efficient management practices. These committees include:

i. Board Executive Committee

The Board Executive Committee is represented by six Board Members with the participation of CEO and senior employees of the Bank who hold the responsibility of transferring information and under discussion data between the management level and the Board of Directors. The Executive Committee serves as a tool to coordinate the business. It has, as its prime 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 grant credit decisions within its jurisdiction. The Board Executive Committee works to develop the Bank's business plan to be or presented to the Board.

ii. Audit, Risk & Compliance Committee

The primary objective of the Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities related to the Bank. This includes financial reporting, internal control system, management of material business risks, the internal and external audit functions and the process for monitoring compliance with laws and regulations and the Bank's code of business conduct. Specifically, the Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to the Audit and Risk & Compliance Committee Charter in order to facilitate decision making by the Board.

The Committee is authorised by the Board to investigate any activity. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any requests made by the Committee. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the assistance of outsiders with relevant experience and expertise if it considers this necessary but only after consultation with the Chairman of the Board.

The Committee has unlimited access to both the internal and external auditors and to the Senior Management of the Bank. The Committee is established by the Board to review, evaluate and make recommendations to the Board in relation to: General Risk and Accounting, Internal Control, Risk and Control Environment, Financial Reporting, Internal Audit, External Audit and Compliance.

iii. Policies and Procedures Committee

The primary objective of this committee is to study, prepare and develop strategies, objectives, policies, systems, plans, budgets and working procedures directories. The Committee ensures that QIB 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 responsible to monitor the QIB quarterly performance against strategy, business plan and budgets. This includes review and consolidation of business development, product alignment and resources distribution across QIB. The Committee also 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 QIB's corporate social responsibility strategy in light of QIB's brand values.

iv. Nomination and Remuneration Committee

The Committee is responsible to develop a remuneration policy to attract, retain and motivate staff, management of the highest calibre who have the skills needed to achieve the Bank's objectives year on year. The Committee is responsible to ensure that it balances the interests of the shareholders, the Bank and its employees.

The Committee meets for remuneration functions six times at least every year. As a strict policy no person shall be present when his or her remuneration or contractual arrangements are discussed.

v. Zakat Committee

The 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. They also, develop a Zakat collection and disbursement policy for the Bank for monitoring the result of the Zakat contributions and introducing accountability. The Committee also ensures that Zakat is calculated and distributed as per Shari'a rules and standards.

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 2013 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 2013
Board of Directors	8
Executive Committee	1
Audit, Risk & Compliance Committee	5
Policies & Procedures Committee	-
Nomination and Remuneration Committee	1
Zakat Committee	3

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. Gijsbert Wouter De Ruiter	GM – Wholesale Banking Group
Mr. Rakesh Sanghvi	Group Chief Risk Officer
Mr. Gourang Hemani	Chief Financial Officer
Mr. Constantinos Constantinides	Chief Strategy Officer
Dr. Ahmed A. Al-Kuwari	GM – 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. 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. Gijsbert Wouter De Ruiter

General Manager – Wholesale Banking Group

Bert de Ruiter joined QIB as General Manager of the Wholesale Banking Group. Prior to that Bert was Country Manager – Netherlands for Lloyds Banking Group. He started his career in ABN AMRO Bank in several relationship management roles in SME Banking. After joining Lloyds, Bert worked in senior roles in Europe and the Middle East including Head of Corporate Banking, Netherlands, Deputy CEO/Managing Director – UAE, CEO – UAE and Head of Specialised Finance and Business Development – Wholesale Banking Europe.

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.

Dr. Ahmed A. Al-Kuwari

General Manager – Human Capital Group

He joined QIB in late 2008 and has performed a complete transformation of operational HR function into strategic Human Capital (HC) function by implementing various key HC initiatives. He has combined both practical & academic experience in these initiatives.

Before he joined QIB, he has worked with Qatar University as Assistant Professor of Management in the College of Business & Economics. He also managed a high profile Government Modernization Project aimed at improving government sectors' performance & services between 2003 and 2008.

Dr. Ahmed holds a PhD in Management from the School of Business & Economics, University of Exeter, U.K. in addition to a Master's Degree in Public Administration from Seattle University, U.S.A.

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 world's 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

General Manager – Real Estate Group

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.

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, 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 52,000 were imposed on the Bank till 31/12/2013 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 FISCAL YEAR 2013

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.

QIB's Shari'a Supervisory Board has reviewed the products and transactions submitted to it, and examined the financial statements and the profits and losses account and balance sheet for the fiscal year 2013. It has therefore concluded that they do not violate the principles of Islamic Shari'a.

The Shari'a Supervisory Board also conducted Shari'a audit through direct supervision of the bank activities to ensure compliance with the Board's decisions, and deems these activities as compliant with the Shari'a Supervisory Board rules.

May Allah guide us all to what pleases Him.

Shari'a Executive Committee:

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

Prof. Abdul Sattar Abou Ghodda – Member
Dr. Mohamad Ahmaine – Administrative Member

FINANCIAL STATEMENTS 2013

CUSTOMER DEPOSITS SAW A RISE OF 16.7%, FINANCING ACTIVITIES GREW BY 9.3%, TOTAL ASSETS GREW BY 5.7%, NET PROFITS GREW BY 7.6%, AND TOTAL SHAREHOLDERS' EQUITY INCREASED BY QR 386 MILLION TO REACH QR 11,860 MILLION. IN THE LIGHT OF THE GLOBAL AND REGIONAL ECONOMIC TRENDS, AND THE POSITIVE ECONOMIC CLIMATE IN QATAR, QIB HAS ACHIEVED **STEADY GROWTH FOR OVER THREE DECADES**. THE BANK MAINTAINED A CAPITAL ADEQUACY RATIO OF 16.5% AND REDUCED THE RATIO OF NON-PERFORMING FINANCING ASSETS TO GROSS FINANCING ASSETS TO 0.9%, REFLECTING THE QUALITY OF THE BANK'S STRONG FINANCING ASSETS PORTFOLIO AND ITS EFFECTIVE RISK MANAGEMENT FRAMEWORK.

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 2013, 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 2013, 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 2012 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

19 January 2014
Doha
State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

		QAR '000s	
	Notes	2013	2012
Assets			
Cash and balances with central banks	9	2,992,762	3,643,735
Due from banks	10	6,348,139	8,757,963
Financing assets	11	47,139,466	43,137,334
Investment securities	12	14,851,841	13,355,758
Investment in associates	13	741,660	875,311
Investment properties	14	792,533	774,232
Assets of a subsidiary held for sale	15	303,133	293,638
Fixed assets	16	436,181	377,366
Intangible assets	17	318,819	249,819
Other assets	18	3,429,710	1,726,906
Total assets		77,354,244	73,192,062
Liabilities, equity of unrestricted investment account holders and equity			
Liabilities			
Due to banks	19	6,490,703	10,371,518
Customers' current accounts	20	12,469,798	9,081,880
Sukuk financing	21	5,444,077	5,415,628
Liabilities of a subsidiary held for sale	15	5,267	205,182
Other liabilities	22	1,378,530	1,001,367
Total liabilities		25,788,375	26,075,575
Equity of unrestricted investment account holders	23	37,893,209	34,065,482
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)	1,084,566	763,213
General reserve	24(d)	81,935	81,935
Fair value reserve	24(e)	94,896	86,074
Foreign currency translation reserve	24(f)	(49,974)	(31,078)
Other reserves	24(g)	212,058	289,080
Proposed cash dividends	24(h)	945,172	886,100
Retained earnings		758,113	665,603
Total equity attributable to shareholders of the Bank		11,859,714	11,473,875
Non-controlling interests	25	1,812,946	1,577,130
Total equity		13,672,660	13,051,005
Total liabilities, equity of unrestricted investment account holders and equity		77,354,244	73,192,062

These consolidated financial statements were approved by the Board of Directors on 19 January 2014 and were signed on its behalf by:

Jassim Bin Hamad Bin Jassim Bin Jaber 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 2013

QAR '000s

	Notes	2013	2012
Net income from financing activities	26	2,003,201	2,081,360
Net income from investing activities	27	800,879	585,123
Total net income from financing and investing activities		2,804,080	2,666,483
Fee and commission income		364,278	472,533
Fee and commission expense		(75,734)	(55,369)
Net fee and commission income	28	288,544	417,164
Net foreign exchange gain	29	44,084	26,104
Share of results of associates	13	6,181	(15,930)
Other income		1,331	11,249
Total income		3,144,220	3,105,070
Staff costs	30	(494,577)	(484,317)
Depreciation and amortisation	16,17	(63,195)	(60,596)
Sukuk holders' share of profit		(173,519)	(129,782)
Other expenses	31	(290,282)	(297,563)
Total expenses		(1,021,573)	(972,258)
Net impairment losses on investment securities	12	(262,750)	(302,298)
Net impairment losses on financing assets	11	(97,383)	(188,256)
Other impairment losses		(9,642)	(11,379)
Net profit from continuing operations before tax		1,752,872	1,630,879
Discontinued operations			
Profit/(loss) from a subsidiary held for sale	15	4,062	(42,137)
Net profit for the year before return to unrestricted investment account holders and tax		1,756,934	1,588,742
Return to unrestricted investment account holders before the Bank's share as Mudarib		(809,176)	(888,767)
Bank's share as Mudarib		360,386	427,674
Net return to unrestricted investment account holders	23	(448,790)	(461,093)
Net profit for the year before tax		1,308,144	1,127,649
Tax expense (credit)	32	17,459	(1,958)
Net profit for the year		1,325,603	1,125,691
Net profit for the year attributable to:			
Shareholders of the Bank		1,335,400	1,241,445
Non-controlling interests	25	(9,797)	(115,754)
Net profit for the year		1,325,603	1,125,691
Earnings per share			
Basic earnings per share (QAR per share)	35	5.65	5.25
Diluted earnings per share (QAR per share)	35	5.65	5.25

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 2013

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	2,362,932	6,370,016	763,213	81,935	94,896	(49,974)	289,080	886,100	2,001,003	12,799,201	1,567,333	14,366,534
Transfer from other reserves	-	-	-	-	-	-	(77,022)	-	77,022	-	-	-
Cash dividends paid to shareholders	-	-	-	-	-	-	-	(886,100)	-	(886,100)	-	(886,100)
Transfer to risk reserve	-	-	321,353	-	-	-	-	-	(321,353)	-	-	-
Proposed cash dividends	-	-	-	-	-	-	-	945,172	(945,172)	-	-	-
Social and Sports Fund appropriation	-	-	-	-	-	-	-	-	(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 CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2013

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 2012	2,362,932	6,370,016	428,500	666,571	(30,514)	(38,856)	-	1,063,319	380,451	11,202,419	1,648,005	12,850,424
Change in foreign currency translation reserve	-	-	-	-	-	7,778	-	-	-	7,778	-	7,778
Fair value reserve movement	-	-	-	-	116,588	-	-	-	-	116,588	-	116,588
Net profit for the year	-	-	-	-	-	-	-	-	1,241,445	1,241,445	(115,754)	1,125,691
Total recognised income and expense for the year	2,362,932	6,370,016	428,500	666,571	86,074	(31,078)	-	1,063,319	1,621,896	12,568,230	1,532,251	14,100,481
Transfers from General Reserve	-	-	-	(584,636)	-	-	129,495	-	455,141	-	-	-
Transfer to other reserves	-	-	-	-	-	-	159,585	-	(159,585)	-	-	-
Cash dividends paid to shareholders	-	-	-	-	-	-	-	(1,063,319)	-	(1,063,319)	-	(1,063,319)
Transfer to risk reserve	-	-	334,713	-	-	-	-	-	(334,713)	-	-	-
Proposed cash dividends	-	-	-	-	-	-	-	886,100	(886,100)	-	-	-
Social and Sports Fund appropriation	-	-	-	-	-	-	-	-	(31,036)	(31,036)	-	(31,036)
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	44,879	44,879
Balance at 31 December 2012	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

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 2013

		QAR '000s	
	Notes	2013	2012
Cash flows from operating activities			
Profit before tax from continuing operations		1,304,082	1,169,786
Profit / (loss) before tax from discontinued operations	15	4,062	(42,137)
Net profit before tax		1,308,144	1,127,649
<i>Adjustments for:</i>			
Net impairment losses on financing assets	11	97,383	188,256
Net impairment losses on investment securities	12	262,750	302,298
Other impairment losses		9,642	11,379
Depreciation and amortisation	16,17	63,195	60,596
Net gain on sale of investment securities		(39,415)	(59,651)
Dividend income	27	(26,454)	(37,155)
Share of results of associates	13	(6,181)	15,930
Sukuk amortisation		28,449	3,283
Loss from investment revaluation		4,377	7,666
Gain on disposal of investment property	27	(90,112)	-
Tax expense	32	(17,459)	1,958
Net loss on disposal of fixed assets		6,766	125
<i>Profit before changes in operating assets and liabilities</i>			
Change in reserve account with QCB		1,601,085	1,622,334
Change in due from banks		(251,744)	(704,304)
Change in financing assets		(406,515)	(66,334)
Change in other assets		(4,099,515)	(13,729,720)
Change in due to banks		(1,712,445)	406,633
Change in customers' current accounts		(3,880,815)	(2,970,744)
Change in other liabilities		3,387,918	(116,802)
		383,758	(282,467)
Dividends received	27	(4,978,273)	(15,841,404)
		26,454	37,155
Net cash used in operating activities		(4,951,819)	(15,804,249)
Cash flows from investing activities			
Acquisition of investment securities		(2,529,869)	(1,798,895)
Proceed from sale of investment securities		1,118,211	3,138,517
Acquisition of fixed assets and intangible assets		(197,777)	(69,780)
Net cash acquired with the subsidiary		5	-
Acquisition of associate companies	13	(174,132)	(10,671)
Proceed from sale of associate companies		3,039	3,112
Acquisition of investment properties	14	(263,049)	-
Proceed from sale of investment properties		361,446	-
Profit from investment properties revaluation		(35,738)	(81,172)
Dividends received from associate companies	13	9,000	9,000
Net cash (used in) from investing activities		(1,708,864)	1,190,111
Cash flows from financing activities			
Change in equity of unrestricted investment accountholders		3,827,727	15,411,645
Proceeds from sukuk financing		-	2,705,962
Transaction cost on issuance of Sukuk		-	(10,308)
Cash dividends paid to shareholders		(886,100)	(1,063,319)
Net cash from financing activities		2,941,627	17,043,980
Net (decrease) increase in cash and cash equivalents		(3,719,056)	2,429,842
Cash and cash equivalents at 1 January		10,242,860	7,813,018
Cash and cash equivalents at 31 December	36	6,523,804	10,242,860

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 2013

QAR '000s

Investment	At 1 January 2013	Movements during the year				At 31 December 2013
		Investment (withdrawals)	Revaluation	Gross (loss) income	Admin expense	
Fleet Street Financing 1 Limited	559,424	(559,030)	-	-	(285)	-
Qatar Equity	120,757	(117,015)	-	(3,742)	-	-
Discretionary Portfolio Management	69,351	(49,709)	3,614	(2,815)	-	20,427
John Spiers	9,744	67	1,544	-	-	11,220
Wise Capital	5,501	-	(214)	-	-	5,287
BLME Sub.	19,489	333	2,889	-	-	22,441
Eden Rock	10,089	(11,821)	1,891	-	-	-
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
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	-	18,636
	1,069,316	(756,788)	10,243	(6,253)	(285)	315,364

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 2013

QAR '000s

Investment	At 1 January 2012	Movements during the year						At 31 December 2012
		Investment (withdrawals)	Revaluation	Gross income (loss)	Dividends paid	Admin expense	Group's fee as an agent	
Fleet Street Financing 1 Limited	-	605,951	-	33,898	(50,548)	(7,045)	(22,832)	559,424
Qatar Equity	116,954	-	-	3,803	-	-	-	120,757
Discretionary Portfolio Management	163,570	(109,356)	5,724	10,219	-	-	(806)	69,351
John Spiers	-	8,811	1,042	-	-	-	(109)	9,744
Wise Capital	-	6,496	268	(1,263)	-	-	-	5,501
BLME Sub.	-	17,622	2,083	-	-	-	(216)	19,489
Eden Rock	-	8,889	1,332	-	-	-	(132)	10,089
ABC Sub.	-	20,559	-	-	-	-	-	20,559
Asian Finance Bank	105,560	-	-	-	-	-	-	105,560
Solidarity Group Holding B.S.C	4,441	-	-	-	-	-	-	4,441
Marsa Al Seef	135,590	-	-	-	-	-	-	135,590
QIB-UK	-	8,811	-	-	-	-	-	8,811
	526,115	567,783	10,449	46,657	(50,548)	(7,045)	(24,095)	1,069,316

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 2013

		QAR '000s	
	Notes	2013	2012
Source of charity fund			
Earnings prohibited by Sharia'a		378	1,000
Use of charity fund			
Researches, donations and other uses		3,042	(1,000)
Undistributed charity funds at 31 December		3,414	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

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 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 2013 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 32 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 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 19 January 2014.

The principal subsidiaries of the Group are as follows:

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2013	2012
Arab Finance House (i)	Lebanon	Banking	99.99%	37.00%
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%	70%
QIB Sukuk Funding Limited	Qatar	Financing company	100%	100%
QInvest LLC (v)	Qatar	Investment banking	47.15%	46.96%
Verdi Luxembourg SARL (vi)	Luxembourg	Investment in real estates	47.15%	46.96%
Q West (vi)	France	Equity investments	47.15%	46.96%
Q Invest Saudi Arabia (vi)	Saudi Arabia	Investment holding company	47.15%	46.96%
Q Business Services (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
Q Liquidity Limited (vi)	Cayman Islands	Placements	47.15%	46.96%
Q Saudi Alpha (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
Q Saudi Beta (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
Q Saudi Gamma (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
QInvest Holding Mauritius (vi)	Mauritius	Investment holding company	47.15%	46.96%
QInvest Luxembourg SARL (vi)	Luxembourg	Investments	47.15%	46.96%
QInvest Partners LLC (vi)	Qatar (QFC)	Investment holding company	47.15%	46.96%
QWMB Investment WLL (vi)	Bahrain	Investment holding company	46.91%	46.73%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

1. REPORTING ENTITY (CONTINUED)

The principal subsidiaries of the Group are as follows:

	Country of Incorporation	Principal Business Activity	Effective Percentage of Ownership	
			2013	2012
Q Equity (vi)	Cayman Islands	Equity investments	47.15%	46.96%
Q Green (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
Q Exhibit (vi)	Mauritius	Investment holding company	47.15%	46.96%
Q Learn (vi)	Mauritius	Investment holding company	47.15%	46.96%
Fleet Street Financing 1 Limited (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
QI St Edmund's Terrace Limited (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
St. Edmund's Terrace GP Limited (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
SET Investment Management Limited (vi)	Cayman Islands	Investment holding company	47.15%	46.96%
Inner Mauritius Investments Limited (vi)	Mauritius	Investment holding company	47.15%	0%
Asian Finance Initiative Corporation (vi)	Cayman Islands	Providing Murabaha facilities	47.15%	0%

Notes:

- i) Effective from 1 December 2013 the Bank acquired an additional 62.99% of the share capital of Arab Finance House, which is since 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.
- 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 2013

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 held for rental or capital appreciation that have been measured at fair value.

c) Functional and presentation 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 2013

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Basis of consolidation (continued)

vii) Associates (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Foreign currency (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment securities (continued)

i) Classification (continued)

Equity-type instruments (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Investment securities (continued)

iv) Measurement principles (continued)

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 instructions, 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).

Musharaka

Musharaka 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).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Other financial assets and liabilities (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) 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.

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 income statement 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets (continued)

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 other than goodwill 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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Impairment of non-financial assets (continued)

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 Bank 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 Bank 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.

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

The Bank 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 the yearend 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

iv) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Bank 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

Repossession 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) 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) 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) as held for sale and shall measure the assets at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) 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) 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).

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

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 "commission and fees 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

hh) New standards and interpretations

The Group has adopted Financial Accounting Standard 26 ("FAS 26") "Investment in real estate" issued by AAOIFI during 2012, which is effective as of 1 January 2013. The adoption of the new standard does not have any material impact on the Group.

In addition, the following new standards and amendments have been issued by International Accounting Standards Board ("IASB") and are effective for the financial year ending 31 December 2013 which do not have any material impact on the Group, but require extensive additional disclosures:

Standard	Content
IFRS 7	Financial instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities (Amendment)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

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 and 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Introduction and overview (continued)

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 CEO 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 prime 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, budgets and work 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 to monitor the Group quarterly performance against strategy, business plan and budgets. This includes 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.

Compensation & Benefits Committee consists of Board Members, General Manager ("GM") Financial Group and GM Human Capital. It's 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

a) Introduction and overview (continued)

Risk management framework (continued)

Audit and Risk Committee's objective is to assist the Board to fulfill its corporate governance and oversight responsibilities related to the Group. This includes financial reporting, system of internal control, management of material business risks, 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 Risk Committee, Management Committee, Assets and Liabilities Committee (ALCO), Credit Committee, and Investment 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 Chief Executive Officer and the Audit and Risk Committee, assists in carrying out the oversight responsibility of the Board.

The Group's Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, 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 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

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 Audit and Compliance Divisions.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk (continued)

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

Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:

	2013	2012
Balances with central banks	2,616,869	3,317,138
Due from banks	6,348,139	8,757,963
Financing assets	47,139,466	43,137,334
Investment securities	13,063,225	11,356,432
Other assets	500,600	844,455
	69,668,299	67,413,322
Other credit risk exposures		
Guarantees	5,308,901	5,611,126
Unutilised financing facilities	5,021,685	4,741,872
Letters of credit	1,188,790	1,470,011
Acceptances	460,844	420,321
	11,980,220	12,243,330

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 bank 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 2013

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.

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

2012

Assets recorded on the consolidated statement of financial position:

	Qatar	Other GCC	Other Middle East	Others	Total
Balances with central banks	3,171,538	-	-	145,600	3,317,138
Due from banks	4,905,518	2,938,409	-	914,036	8,757,963
Financing assets	40,380,926	819,796	-	1,936,612	43,137,334
Investment securities	10,530,959	535,644	109,289	180,540	11,356,432
Other assets	772,338	55,473	2,164	14,480	844,455
	59,761,279	4,349,322	111,453	3,191,268	67,413,322

Off balance sheet items

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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)

2012

	Qatar	Other GCC	Other Middle East	Others	Total
Guarantees	4,902,890	122,904	28,774	556,558	5,611,126
Unutilised financing facilities	4,741,872	-	-	-	4,741,872
Letters of credit	1,155,577	19,829	43,157	251,448	1,470,011
Acceptances	276,038	-	-	144,283	420,321
	11,076,377	142,733	71,931	952,289	12,243,330

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 2013	Gross exposure 2012
Government and related entities	6,714,372	7,716,952
Financial institutions	1,947,958	2,205,630
Industry	3,945,334	1,681,163
Commercial	6,868,333	7,321,232
Services	2,691,409	2,105,477
Contracting	2,425,104	3,595,978
Real estate	14,761,251	13,954,500
Personal	10,280,436	8,022,699
Others	3,293,465	2,068,983
Total financing assets	52,927,662	48,672,614
Less: Deferred profit	5,324,634	5,042,434
Provision for impairment of financing assets	425,317	460,095
Suspended Profit	38,245	32,751
Net financing assets	47,139,466	43,137,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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	
	2013	2012	2013	2012	2013	2012
Neither past due nor impaired:						
Gross amount	49,978,257	43,490,039	6,352,597	8,762,326	-	-
Deferred profit	(5,324,634)	(5,042,434)	(4,458)	(4,363)	-	-
Carrying amount	44,653,623	38,447,605	6,348,139	8,757,963	-	-
Past due but not impaired:						
Carrying amount	2,455,192	4,380,140	-	-	-	-
Impaired						
Substandard (overdue >3 months)	63,449	207,916	-	-	-	-
Doubtful (overdue >6 months)	44,029	171,423	-	-	-	-
Loss (overdue >9 months)	386,735	423,096	-	-	-	-
	494,213	802,435	-	-	-	-
Impairment allowance	(425,317)	(460,095)	-	-	-	-
Suspended profit	(38,245)	(32,751)	-	-	-	-
	(463,562)	(492,846)	-	-	-	-
Carrying amount – net	30,651	309,589	-	-	-	-
Investment securities						
At fair value through income statement	-	-	-	-	-	138,421
At amortised cost	-	-	-	-	13,063,225	11,218,011
	-	-	-	-	13,063,225	11,356,432
Total carrying amount	47,139,466	43,137,334	6,348,139	8,757,963	13,063,225	11,356,432

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 2013

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.

	2013	2012
Up to 30 days	1,763,580	2,466,945
30 to 60 days	365,992	667,179
60 – 90 days	140,636	267,259
More than 90 days	184,984	978,757
Gross	2,455,192	4,380,140

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 2013 amounted to QAR 25,669 (2012: QAR 2,699,425). 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 1,745 million (2012: QAR 1,106 million) for past due up to 30 days, QAR 366 million (2012: QAR 393 million) for past due from 30 to 60 days, QAR 133 million (2012: QAR 331 million) for past due from 60 and 90 days, and QAR 185 million (2012: QAR 968 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 2013

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.

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 2013

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.

2013	Up to 3 months	3 to 6 months	6 months - 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 2013

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Liquidity risk (continued)

iii) Maturity analysis (continued)

2012	Up to 3 months	3 to 6 months	6 months – 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with central banks	1,716,876	-	-	-	1,926,859	3,643,735
Due from banks	8,525,984	112,587	34,898	84,494	-	8,757,963
Financing assets	11,498,632	3,156,661	3,029,505	11,583,486	13,869,050	43,137,334
Investment securities	580,775	104,228	23,200	9,021,840	3,625,715	13,355,758
Investment in associates	-	-	-	-	875,311	875,311
Investment properties	-	-	-	-	774,232	774,232
Assets of a subsidiary held for sale	-	-	293,638	-	-	293,638
Fixed assets	-	-	-	-	377,366	377,366
Intangible assets	-	-	-	-	249,819	249,819
Other assets	343,223	23,020	203,765	562,811	594,087	1,726,906
Total assets	22,665,490	3,396,496	3,585,006	21,252,631	22,292,439	73,192,062
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	5,467,911	551,090	2,071,879	2,083,036	197,602	10,371,518
Customers' current accounts	9,081,880	-	-	-	-	9,081,880
Sukuk financing	-	-	-	2,696,026	2,719,602	5,415,628
Liabilities of a subsidiary held for sale	-	-	205,182	-	-	205,182
Other liabilities	209,003	109,803	190,215	244,007	248,339	1,001,367
Total liabilities	14,758,794	660,893	2,467,276	5,023,069	3,165,543	26,075,575
Equity of unrestricted investment account holders	16,476,138	3,195,067	7,138,199	7,059,798	196,280	34,065,482
Total liabilities and equity of unrestricted investment account holders	31,234,932	3,855,960	9,605,475	12,082,867	3,361,823	60,141,057
Maturity gap	(8,569,442)	(459,464)	(6,020,469)	9,169,764	18,930,616	13,051,005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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 2013

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:

	At 31 December	Average	Maximum	Minimum
2013				
Equity price risk	919	4,377	9,803	904
2012				
Equity price risk	11,366	9,498	12,646	4,539

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		
2013							
Cash and balances with central banks	2,992,762	809,466	-	-	-	2,183,296	-
Due from banks	6,348,139	5,090,365	455,838	801,936	-	-	2.33%
Financing assets	47,139,466	4,474,911	8,876,356	15,228,759	18,559,440	-	4.62%
Investment securities	14,851,841	9,137,971	30,222	1,046,306	1,564,092	3,073,250	5.01%
	71,332,208	19,512,713	9,362,416	17,077,001	20,123,532	5,256,546	-
Due to banks	6,490,703	4,735,375	604,021	1,148,767	2,540	-	1.48%
Sukuk financing	5,444,077	-	-	5,444,077	-	-	3.19%
	11,934,780	4,735,375	604,021	6,592,844	2,540	-	-
Equity of unrestricted investment account holders	37,893,209	25,974,944	11,222,417	420,363	275,485	-	1.25%
	49,827,989	30,710,319	11,826,438	7,013,207	278,025	-	-
Profit rate sensitivity gap	21,504,219	(11,197,606)	(2,464,022)	10,063,794	19,845,507	5,256,546	-
Cumulative profit rate sensitivity gap	-	21,504,219	32,701,825	35,165,847	25,102,053	5,256,546	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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			
2012								
Cash and balances with central banks	3,643,735	1,571,277	-	-	-	2,072,458	-	-
Due from banks	8,757,963	8,525,976	147,485	84,494	-	8	1.82%	
Financing assets	43,137,334	17,392,914	10,765,189	11,970,467	3,008,764	-	5.76%	
Investment securities	11,218,011	186,908	90,018	7,311,367	1,575,817	2,053,901	5.59%	
	66,757,043	27,677,075	11,002,692	19,366,328	4,584,581	4,126,367		-
Due to banks	10,371,518	5,649,273	2,505,828	2,216,417	-	-	1.34%	
Sukuk financing	5,415,628	-	-	5,415,628	-	-	3.55%	
	15,787,146	5,649,273	2,505,828	7,632,045				-
Equity of unrestricted investment account holders	34,065,482	25,667,071	7,574,258	824,153	-	-	1.7%	
	49,852,628	31,316,344	10,080,086	8,456,198				-
Profit rate sensitivity gap	16,904,415	(3,639,269)	922,606	10,910,130	4,584,581	4,126,367		-
Cumulative profit rate sensitivity gap	-	16,904,415	20,543,684	19,621,078	8,710,948	4,126,367		-

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	100 bp parallel increase	100 bp parallel decrease
2013		
At 31 December	(43.17 million)	43.17 million
2012		
At 31 December	(4.11 million)	4.11 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 2013

QAR '000s

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:	2013	2012
Sterling Pounds	140,039	26,282
USD	3,016,885	(3,580,015)
Euro	632,107	(133,167)
Other currencies	(2,597,389)	203,303

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	2013	2012
Sterling Pound	7,002	1,314
USD	150,844	(179,001)
Euro	31,605	(6,658)
Other currencies	(129,869)	10,165

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	
		2013	2012	2013	2012
Qatar Exchange	+ / - 10%	8,366	36,154	1,068	307,489
Bahrain Stock Exchange	+ / - 10%	3,268	3,268	-	-
Damascus Securities Exchange	+ / - 10%	5,799	5,799	-	-
Tadawul – Saudi	+ / - 10%	-	80,268	-	-
France	+ / - 10%	31,722	212,421	-	-

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 2013

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 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:

	2013	2012
Tier 1 capital	9,224,557	9,281,110
Tier 2 capital	492,342	443,016
Total regulatory capital	9,716,899	9,724,126

Tier 1 capital includes share capital, legal reserve, retained earnings, general reserve and other reserves.

Tier 2 capital includes risk reserve (up to 1.25% of the risk weighted assets) and fair value reserves (45% if positive and 100 % if negative).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

f) Capital management (continued)

Risk weighted assets and carrying amounts

	Basel II risk weighted average	
	2013	2012
Risk weighted assets for credit risk	52,613,788	52,399,793
Risk weighted assets for market risk	2,052,170	7,030,074
Risk weighted assets for operational risk	4,201,275	3,671,808
Total risk weighted assets	58,867,233	63,101,675
Regulatory capital	9,716,899	9,724,126
Risk weighted assets as a percentage of regulatory capital (capital ratio)	16.51%	15.41%

The minimum ratio limit determined by QCB is 10% and the current Basel II capital adequacy requirement is 8%.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

a) Key sources of estimation uncertainty (continued)

ii) Determining fair values (continued)

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 2013

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			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2013				
Assets measured at fair value:				
Investments securities:				
Quoted equity-type investments classified as fair value through income statement	66,394	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	537,000	-	-
Unquoted equity-type investments classified as fair value through equity	618,678	-	581,704	36,974
2012				
Assets measured at fair value:				
Investments securities:				
Quoted equity-type investments classified as fair value through income statement	137,957	137,957	-	-
Unquoted equity-type investments classified as fair value through income statement	630,542	-	-	630,542
Quoted debt-type investments classified as fair value through income statement	59,086	59,086	-	-
Unquoted debt-type investments classified as fair value through income statement	79,335	-	-	79,335
Quoted equity-type investments classified as fair value through equity	359,031	359,031	-	-
Unquoted equity-type investments classified as fair value through equity	871,796	-	137,632	734,164

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 2013 and 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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.

The Group considered all relevant facts and circumstances in assessing whether it has power over an investee and concluded that Group has the right of variable returns arising from QLand Real Estate SPC and has the ability to use its power to affect these returns.

QLand Real Estate SPC is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in consolidated financial statements of the Group

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 2013.

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

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 2013

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

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	110,104	2,804,080
Net fee and commission income	134,755	89,161	17,356	47,272	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	(228,188)	176,766	51,422	-	-
Profit from subsidiary held for sale	-	-	-	4,062	4,062
Total segment income after discontinued operations	1,111,556	1,004,650	878,186	153,890	3,148,282
Staff costs, other expenses and depreciation and amortization	(198,365)	(375,218)	(88,620)	(185,851)	(848,054)
Sukuk holders' share of profit	-	-	(173,519)	-	(173,519)
Net return to unrestricted investment account holders	(167,114)	(216,731)	(23,568)	(41,377)	(448,790)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(255,148)	(7,602)	(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	736,127	377,566	328,538	(134,087)	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	15,456,570	1,801,344	63,681,584

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

2012	Wholesale banking	Personal banking	Group function	Local & international subsidiaries	Total
External revenue:					
Total net income from financing and investing activities	1,457,353	591,642	602,235	15,253	2,666,483
Net fee and commission income	151,316	59,554	37,490	168,804	417,164
Net foreign exchange gain (loss)	-	-	33,832	(7,728)	26,104
Share of results of associates	-	-	(11,274)	(4,656)	(15,930)
Other income	-	-	10,867	382	11,249
Inter segment revenue	(398,003)	294,271	103,732	-	-
Loss from subsidiary held for sale	-	-	-	(42,137)	(42,137)
Total segment income after discontinued operations	1,210,666	945,467	776,882	129,918	3,062,933
Staff costs, other expenses and depreciation and amortization	(174,797)	(345,501)	(103,997)	(218,181)	(842,476)
Sukuk holders' share of profit	-	-	(120,625)	(9,157)	(129,782)
Net return to unrestricted investment account holders	(105,952)	(290,025)	(35,259)	(29,857)	(461,093)
Other material non-cash items:					
Net impairment losses on investment securities	-	-	(244,146)	(58,152)	(302,298)
Net impairment losses on financing assets	(126,709)	(31,754)	-	(29,793)	(188,256)
Other impairment losses	-	-	-	(11,379)	(11,379)
Reportable segment net profit before tax	803,208	278,187	272,855	(226,601)	1,127,649
Reportable segment assets	33,439,400	9,580,039	27,327,864	2,844,759	73,192,062
Reportable segment liabilities and equity of unrestricted investments account holders	14,113,069	25,604,117	18,921,171	1,502,700	60,141,057

Note:

Certain segment income and expenses for the year ended 31 December 2012 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 2013

QAR '000s

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
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

	Fair value through equity	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
2012					
Cash and balances with central banks	-	-	3,643,735	3,643,735	3,643,735
Due from banks	-	-	8,757,963	8,757,963	8,757,963
Financing assets	-	-	43,137,334	43,137,334	43,137,334
<i>Investment securities:</i>					
– Measured at fair value	1,230,827	138,421	-	1,369,248	1,369,248
– Measured at amortised cost	-	-	11,218,011	11,218,011	11,121,956
Other assets	-	-	844,455	844,455	844,455
	1,230,827	138,421	67,601,498	68,970,746	68,874,691
Due to banks	-	-	10,371,518	10,371,518	10,371,518
Customers' current accounts	-	-	9,081,880	9,081,880	9,081,880
Sukuk financing	-	-	5,415,628	5,415,628	5,415,628
Other liabilities	-	-	1,001,367	1,001,367	1,001,367
	-	-	25,870,393	25,870,393	25,870,393

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

8. BUSINESS COMBINATION

Subsidiaries step acquisition

Arab Finance House L.L.C

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration
Arab Finance House	Banking	December 2013	99.99	166,849

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 LLC 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	63,725	89,352
Financing assets	115,175	120,570
Other assets	128,984	105,324
	512,402	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	130,736	136,994
Non-controlling interest (0.007%)	(9)	(10)
Total net assets acquired	130,727	136,984
Goodwill arising from acquisition	36,122	
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	

From the date of acquisition, AFH has contributed QAR 13.7 million of operating loss and QAR 29.7 million losses to the net profit of the Group. If the combination had taken place at the beginning of the year, operating income would have been QAR 3,179 million instead of QAR 3,148 million and the profit attributable to shareholders of the Group would have been QAR 1,333 million instead of QAR 1,326 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

8. BUSINESS COMBINATION (CONTINUED)

Subsidiaries step acquisition (continued)

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	(130,736)
Goodwill arising on acquisition	36,122

The net assets recognised in the consolidated financial statements were based on the assessment of the fair value. The Group has assessed the fair value using an independent valuation for the assets and liabilities of AFH.

The valuation of the purchase price allocation was not completed by the date these consolidated financial statements were approved for issuance by management. The Group will recognise any adjustments to these provisional values after the completion of the fair value exercise during 2014.

Note that the Group used the carrying amount of QIB's equity interest in AFH held before the business combination to account for the goodwill as the differences between this carrying amount and its fair value based on the provisional amount was not material.

Non-controlling interests

The non-controlling interests (0.007% ownership interest) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to QAR 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

8. BUSINESS COMBINATION (CONTINUED)

Subsidiaries step acquisition (continued)

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

Effective from 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 (the "Company") 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 approximately the same as its carrying amounts and were as follow:

	Fair values at the acquisition date QR'000
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 was measured by reference to the fair value of the non-controlling interests and amounted to QAR 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)

At 31 December 2013

QAR '000s

8. BUSINESS COMBINATION (CONTINUED)

Subsidiaries step acquisition (continued)

QInvest L.L.C

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration
QInvest	Banking	March 2011	46.67	1,610,634

On 1 March 2011, QIB acquired additional 11.67% of the voting shares of QInvest LLC and obtained control over the financial and operating activities of QInvest LLC with 46.67% of voting shares. QInvest LLC was licensed by the Qatar Financial Centre Authority in April 2007 and is authorised by the Qatar Financial Centre Regulatory Authority. The business lines of QInvest LLC include investment banking, investment management, brokerage and wealth management; with dedicated origination and placement teams.

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

	Fair values at the acquisition date	Carrying amounts immediately prior to acquisition
Assets		
Cash and bank balances	231,188	231,188
Placements with financial institutions	444,289	444,289
Investment securities	1,563,335	1,563,335
Assets of a subsidiary held for sale	358,958	358,958
Investments in associates	446,915	446,915
Other assets	207,046	207,046
	3,251,731	3,251,731
Liabilities		
Liabilities of a subsidiary held for sale	(220,084)	(220,084)
Due to Banks	(18,014)	(18,014)
Other liabilities	(25,465)	(25,465)
	(263,563)	(263,563)
Net assets	2,988,168	2,988,168
Non-controlling interest (53.33%)	(1,593,590)	(1,593,590)
Total net assets acquired	1,394,578	1,394,578
Goodwill arising from acquisition	216,056	
Cost of business combination	1,610,634	
Consideration		
Cash consideration	656,110	
Fair value of QIB's equity interest in QInvest LLC held before the business combination	954,524	
	1,610,634	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

8. BUSINESS COMBINATION (CONTINUED) Subsidiaries step acquisition (continued)

Goodwill arising on step acquisition

Fair value of consideration	1,610,634
Plus: non-controlling interests (53.33% in QInvest)	1,593,590
Less: fair value of identifiable net assets acquired	(2,988,168)
Goodwill arising on acquisition	216,056

Non-controlling interests

The non-controlling interests (53.33% ownership interest) recognised at the acquisition date was measured by reference to the fair value of the non-controlling interests and amounted to QAR 1,593,590.

During 2012, in compliance with the provisions of International Financial Reporting Standard 3 "Business Combinations", the Group has carried out a one time "Purchase Price Allocation" (PPA) exercise for the value paid for the acquisition of shares of QInvest LLC. 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 Q-Invest LLC were not material and accordingly were not considered.

9. CASH AND BALANCES WITH CENTRAL BANKS

	2013	2012
Cash	375,893	326,597
Cash reserve with QCB (i)	2,178,599	1,926,859
Other balances with QCB	343,130	1,244,679
Balances with other central banks	95,140	145,600
	2,992,762	3,643,735

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

10. DUE FROM BANKS

	2013	2012
Commodity Murabaha receivable	2,057,530	7,717,522
Wakala placements	2,813,878	780,989
Mudaraba placements	446,782	229,936
Current accounts	1,034,407	33,879
Deferred profit	(4,458)	(4,363)
	6,348,139	8,757,963

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

11. FINANCING ASSETS

a) By type

	2013	2012
Murabaha	26,761,937	26,983,362
Musawama	12,071,007	9,935,679
Ijarah Muntahia Bittamleek	12,332,885	8,736,642
Istisna'a	1,228,995	2,432,551
Mudaraba	197,691	304,423
Others	335,147	279,957
Total financing assets	52,927,662	48,672,614
Less: Deferred profit	5,324,634	5,042,434
Specific impairment of financing assets	425,317	460,095
Suspended profit	38,245	32,751
Net financing assets	47,139,466	43,137,334

The impaired financing assets for which an impairment allowance was created amounted to QR 494 million as at 31 December 2013 representing 0.9 % of the gross financing assets (31 December 2012: QAR 802 million, representing 1.6% of the gross financing assets).

Impairment distribution by nature of the customer is as follow:

	2013	2012
Corporate	112,705	125,437
Retail and others	312,612	334,658
	425,317	460,095

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

	2013	2012
Balance at 1 January	460,095	310,745
Provisions provided during the year	167,461	269,485
Recoveries during the year	(70,078)	(81,229)
Written off during the year	(100,129)	(38,906)
Transfer to other assets	(32,032)	-
Balance at 31 December	425,317	460,095

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

	Corporates	SMEs	Retail	Real Estate Mortgages	Total
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
Balance at 1 January 2012	77,841	5,794	114,521	112,589	310,745
Provisions provided during the year	71,385	4,784	59,209	134,107	269,485
Recoveries during the year	(2,340)	(1,900)	(27,455)	(49,534)	(81,229)
Written off during the year	(21,449)	-	-	(17,457)	(38,906)
Balance at 31 December 2012	125,437	8,678	146,275	179,705	460,095

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

11. FINANCING ASSETS (CONTINUED)

d) By sector

2013	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
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

Note:

Details of financing assets related to Sukuk backed assets issued during 2010 and 2012 are disclosed under Note 21.

2012	Murabaha	Musawama	Ijarah Muntahia Bittamleek	Istisna'a	Mudaraba	Others	Total
Government and related entities	7,217,665	584	346,651	152,029	-	23	7,716,952
Non-banking financial institutions	2,118,084	58,829	28,701	-	-	16	2,205,630
Industry	943,937	721,042	-	5,334	-	10,850	1,681,163
Commercial	6,077,636	343,698	271,018	550,721	19,384	58,775	7,321,232
Services	995,760	948,152	114,556	11,757	26,768	8,484	2,105,477
Contracting	2,906,911	182,257	200,684	37,902	258,271	9,953	3,595,978
Real estate	4,472,626	21,979	7,698,520	1,674,389	-	86,986	13,954,500
Personal	812,834	7,110,636	-	-	-	99,229	8,022,699
Others	1,437,909	548,502	76,512	419	-	5,641	2,068,983
Total financing assets	26,983,362	9,935,679	8,736,642	2,432,551	304,423	279,957	48,672,614
Less: Deferred profit							5,042,434
Provision for impairment of financing assets							460,095
Suspended profit							32,751
Net financing assets							43,137,334

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

12. INVESTMENT SECURITIES

	2013			2012		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
• equity-type investments	66,394	566,544	632,938	137,957	630,542	768,499
• debt-type investments (i)						
– Fixed rate	–	–	–	59,086	79,335	138,421
	66,394	566,544	632,938	197,043	709,877	906,920
Debt-type investments classified at amortised cost (i)						
– State of Qatar Sukuk	91,000	11,730,000	11,821,000	–	10,250,000	10,250,000
– Fixed rate	868,535	232,050	1,100,585	355,428	204,039	559,467
– Floating rate	129,106	12,534	141,640	343,392	65,152	408,544
	1,088,641	11,974,584	13,063,225	698,820	10,519,191	11,218,011
Equity-type investments classified as fair value through equity	537,000	618,678	1,155,678	359,031	871,796	1,230,827
	1,692,035	13,159,806	14,851,841	1,254,894	12,100,864	13,355,758

Notes:

- The fair value of the investments carried at amortised costs as at 31 December 2013 amounted to QAR 13,002,639 (2012: QAR 11,121,956).
- 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 (i) carried at fair value through equity is as follows:

	2013	2012
Balance at 1 January	637,422	310,882
Charge during the year	262,750	302,298
(Reversals) /adjustments during the year	(52,688)	24,242
Balance at 31 December	847,484	637,422

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

13. INVESTMENT IN ASSOCIATES

	2013	2012
Balance at 1 January	875,311	884,917
Foreign currency translation and other movements	(8,261)	4,653
Investments acquired during the year	174,132	10,671
Share of results	6,181	(15,930)
Cash dividend	(9,000)	(9,000)
Associate sold	(3,039)	-
Associates sold or transferred	(293,664)	-
Balance at 31 December	741,660	875,311

Name of the Company	Country of Incorporation	Company's Activities	Ownership %	
			2013	2012
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%
Panmure Gordon & Co. PLC	United Kingdom	Brokerage	43.70%	43.70%
Asian Finance Bank	Malaysia	Banking	50%	41.67%
Arab Finance House (i)	Lebanon	Banking	99.99%	37%

Note:

- (i) As at 31 December 2013, the company is being reported as subsidiary which is disclosed in note 1 to the consolidated financial statements.

The financial position, revenue and result of associates based on its financial statements, as at and for the year ended 31 December 2013 and 2012 are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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13. INVESTMENT IN ASSOCIATES (CONTINUED)

31 December 2012	Al Jazeera	Durat Al Doha	Al Daman	Retaj	Panmure Gordon	Arab Finance House	Asian Finance Bank	MIP/ MIP-II
Total assets	1,485,502	1,965,756	414,809	397,779	312,125	549,850	3,345,537	-
Total liabilities	682,626	1,587,494	177,449	278,591	105,298	420,380	2,783,436	-
Total revenue	97,690	80	61,608	180,373	13,932	30,179	69,028	-
Net profit (loss)	59,720	(10,354)	18,971	(34,095)	(2,572)	36,697	(29,978)	-
Share of profit (loss)	17,916	(8,200)	4,743	(4,892)	237	(13,241)	(13,145)	652

Notes:

- (i) Panmure Gordon & Co. PLC is listed on the Alternative Investment Market (AIM) in the UK. The closing share price of Panmure Gordon was QAR 9.52 as at 31 December 2013 (31 December 2012: QAR 0.85) having fair value of QAR 65 million. (31 December 2012: QAR 58 million). The other associate companies are not listed in any stock market.

14. INVESTMENT PROPERTIES

	2013	2012
Balance at 1 January	774,232	693,060
Disposals	(271,334)	-
Addition	263,049	-
Changes in fair value	35,738	81,172
Exchange rate revaluation	(7,365)	-
Impairment	(1,787)	-
Balance at 31 December	792,533	774,232

Note:

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

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At 31 December 2013

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

	2013	2012
Assets		
Cash and cash equivalents	8,354	15,718
Investment property	294,509	277,920
Other assets	270	-
Total assets	303,133	293,638
Liabilities		
Murabaha financing	-	192,557
Other liabilities	5,267	12,625
Total liabilities	5,267	205,182
Profit /(loss) for the year	4,062	(42,137)

Notes:

- i) As at December 2012, the Group has classified the assets of its subsidiary 'Verdi SA', a limited liability company incorporated under the laws of Luxembourg, as held for sale. All the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.
- ii) As of 31 December 2013, Verdi SA has been reclassified from held for sale to normal subsidiary during the year due to change in management plans. Verdi assets have accordingly been re-measured at the lower of (a) carrying amount before the subsidiary was classified as held for sale, and (b) recoverable amount at the date of the subsequent decision not to sell. As a result, the comparative figures have been represented.
- iii) During the current year, QInvest entered into a Murabaha agreement with a Qatari entity, Q Land Real Estate SPC ("Q land") that holds the legal ownership of properties currently leased (the "properties"). Under the terms of a commodity Murabaha agreement (without transfer of the legal ownership of the properties), QInvest provided a financing of QAR 290 million to QLand.

In addition to fixed return on Murabaha, QInvest will be entitled to 100% of any additional proceeds from the properties through a Wa'ad. The Murabaha and the Wa'ad will be secured by a mortgage over the properties and an assignment of the lease proceeds to the Group.

In addition and despite the fact that the Group is not a direct or indirect shareholder in QLand, it has been granted several controlling rights over QLand under an irrevocable power of attorney granted in favor of QInvest for managing, disposing, renting etc. the properties and the Articles of Association of QLand which prohibits QLand from including, but not limited to, disposing of or providing mortgage over any of QLand's assets, appointing and removing QLand's directors, liquidating or dissolving QLand, obtaining any loans from financial institutions and providing any covenants or security in this regard, etc.... without the prior written approval of QInvest.

The Group intends to dispose QLand during the next year, therefore it has been classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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16. FIXED ASSETS

	Land and buildings	IT equipments	Fixtures and fittings	Motor vehicles	Total
Cost					
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
Balance at 1 January 2012	262,611	103,329	178,002	5,328	549,270
Additions	41,127	14,332	7,346	678	63,483
Disposals	-	(4,476)	(2,890)	(31)	(7,397)
Balance at 31 December 2012	303,738	113,185	182,458	5,975	605,356
Accumulated depreciation					
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
Balance at 1 January 2012	44,169	59,345	79,726	3,915	187,155
Depreciation charged during the year	5,670	17,848	23,756	833	48,107
Disposals	-	(4,444)	(2,801)	(27)	(7,272)
Balance at 31 December 2012	49,839	72,749	100,681	4,721	227,990
Carrying amounts					
Balance at 1 January 2012	218,442	43,984	98,276	1,413	362,115
Balance at 31 December 2012	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

QAR '000s

17. INTANGIBLE ASSETS

	Goodwill	Trade marks	Software	Total
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
Balance at 1 January 2012	216,056	1,056	39,024	256,136
Additions	-	-	6,172	6,172
Amortisation during the year	-	(156)	(12,333)	(12,489)
Balance at 31 December 2012	216,056	900	32,863	249,819

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 2013. 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:

- Fair value of the fee generating businesses was determined using the discounted cash flow method (DCF)
- 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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18. OTHER ASSETS

	2013	2012
Accrued profit	423,236	652,476
Work in progress (i)	190,487	224,005
Sundry debtors	62,356	124,648
Repossessed collateral (ii)	63,226	120,000
Deferred tax assets	93,100	96,556
Real estate investments of a subsidiary company	82	81,630
Prepayments and advances	79,198	52,319
Others (iii)	2,518,025	375,272
	3,429,710	1,726,906

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 2013 amounted to QAR 71 million (2012 balance related to repossessed collateral acquired in settlement of financing assets during 2011 which was stated at its acquisition value and sold during 2013).
- iii) Others includes properties under development of a subsidiary company amounting to QAR 2,184,867 (2012: QAR Nil).

19. DUE TO BANKS

	2013	2012
Wakala payable	4,619,643	10,173,983
Commodity Murabaha payable	104,664	158,754
Current accounts	1,767,710	43,144
Deferred cost	(1,314)	(4,363)
	6,490,703	10,371,518

20. CUSTOMERS' CURRENT ACCOUNTS

	2013	2012
Current accounts by sector:		
– Government	526,064	291,585
– Non-banking financial institutions	181,390	228,509
– Corporate	4,707,146	1,608,871
– Individuals	7,055,198	6,952,915
	12,469,798	9,081,880

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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 musharakat assets, Sharia'a compliant authorised investments and any replaced assets 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	2013	2012
Murabaha	3,111,851	2,801,043
Ijarah	4,595,045	3,686,082
Total financing assets related to the Sukuk	7,706,896	6,487,125

22. OTHER LIABILITIES

	2013	2012
Accrued expenses	172,072	109,857
Manager cheques	241,886	98,896
Customers advances	93,560	98,537
Employees' end of service benefits (i)	91,986	90,906
Naps and visa settlements	97,886	90,210
Cash margins	99,882	75,096
Accrued profit to Sukuk holders	40,504	40,504
Contribution to Social and Sports fund	33,385	31,036
Dividend payable	27,005	26,492
Clearing cheques	7,844	1,922
Customers' participation in funds	-	1,252
Pension fund	650	589
Others	471,870	336,070
	1,378,530	1,001,367

Note:

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

	2013	2012
Balance at 1 January	90,906	84,551
Charge for the year	23,853	22,266
Payments made during the year	(22,773)	(15,911)
Balance at 31 December	91,986	90,906

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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23. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	2013	2012
Unrestricted investment account holders balance before share of profit	37,753,249	33,904,309
Add: Profits for unrestricted investment account holders for the year (a)	448,790	461,093
Less: Profit paid during the year	(326,949)	(332,882)
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	37,875,090	34,032,520
By type:		
Term accounts	23,528,577	21,672,200
Saving accounts	9,798,684	7,273,697
Call accounts	4,547,829	5,086,623
Total (b)	37,875,090	34,032,520
By sector:		
Retail	17,040,004	17,693,537
Corporate	10,872,765	6,330,036
Non-banking financial institution	4,316,032	5,023,094
Government	5,625,668	4,981,611
Banks	20,621	4,242
Total (b)	37,875,090	34,032,520
	2013	2012
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	37,875,090	34,032,520
Share in fair value reserve	18,119	32,962
Total unrestricted investment account holders balance	37,893,209	34,065,482
	2013	2012
Share of unrestricted investment account holders' of the profit for the year	809,176	888,767
Less: Mudarib share	(360,386)	(433,221)
Shareholders' contribution	-	5,547
Total profit distributed to investment account holders for the year (a)	448,790	461,093

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24. EQUITY

a) Share capital

	2013	2012
At 1 January	2,362,932	2,362,932
At 31 December	2,362,932	2,362,932

At 31 December 2013 the authorised and issued share capital comprised 236 million ordinary shares (2012: 236 million), 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.

b) Legal reserve

In accordance with QCB Law No. 13 of 2012 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 321.3 million (2012: QAR 334.7 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 reserves

2013	Net movement during the year
Opening balance	86,074
Investments carried as fair value through equity:	
Movement in fair value through fair value reserve	(8,797)
Plus: Share of equity of unrestricted investment account holders	6,008
Revaluation of investment properties:	
Movement in investment property fair value	35,738
Less: Share of equity to unrestricted investment account holders	(24,127)
	94,896

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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24. EQUITY (CONTINUED)

2012	Net movement during the year
Opening balance	(30,514)
Investments carried as fair value through equity:	
Movement in fair value through fair value reserve	68,378
Plus: Share of equity of unrestricted investment account holders	5,506
Revaluation of investment properties:	
Movement in investment property fair value	81,172
Less: Share of equity to unrestricted investment account holders	(38,468)
	86,074

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 77,022 thousand was transferred from other reserves to retained earnings (2012: QAR Zero).

h) Proposed cash dividends

The Board of Directors has proposed a cash dividend of 40% of the paid up share capital amounting to QAR 945 million – QAR 4 per share (2012: 37.5% of paid up share capital amounting to QAR 886 million – QAR 3.75 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, Durat Al Doha Real Estate Investment & Development Company.

26. NET INCOME FROM FINANCING ACTIVITIES

	2013	2012
Murabaha	838,311	992,135
Musawama	661,208	532,739
Ijarah	415,105	319,779
Istisna'a	66,432	185,250
Mudaraba	14,562	47,536
Others	7,583	3,921
	2,003,201	2,081,360

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27. NET INCOME FROM INVESTING ACTIVITIES

	2013	2012
Income from investment in debt-type instruments	608,781	622,041
Net gain on sale of equity-type investments	16,163	36,713
Net income (cost) of inter-bank placements with/from Islamic banks	4,106	(26,266)
Net gain on sale of debt-type investments	23,252	22,938
Net gain on sale of properties held for trading	90,112	38,035
Fair value gain/(loss) on investment securities carried as fair value through income statement	17,854	(172,967)
Income from investment properties	14,157	27,154
Dividend income	26,454	37,475
	800,879	585,123

28. NET FEE AND COMMISSION INCOME

	2013	2012
Management fees	83,683	105,987
Letters of credit and guarantees	57,304	87,780
Banking services fees	144,668	106,984
Advisory fees	23,065	160,483
Others	55,558	11,299
	364,278	472,533
Fee and commission expense	(75,734)	(55,369)
Net fee and commission income	288,544	417,164

29. NET FOREIGN EXCHANGE GAIN

	2013	2012
Dealing in foreign currencies	17,229	11,350
Revaluation of assets and liabilities	26,855	14,754
	44,084	26,104

30. STAFF COSTS

	2013	2012
Salaries and other benefits	462,591	452,488
Staff pension fund costs	8,133	9,563
Staff indemnity costs	23,853	22,266
	494,577	484,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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31. OTHER EXPENSES

	2013	2012
Legal and professional fees	31,310	48,117
Rent	46,521	41,774
Service expenses	50,854	36,927
Board of Directors' remuneration	30,482	35,234
IT expenses	37,293	32,893
Advertising and marketing expenses	24,891	27,991
Communication and utilities	32,962	25,454
Subscription fees	5,102	4,388
Repairs and maintenance	5,319	4,133
Insurance costs	2,386	1,493
Other expenses	23,162	39,159
	290,282	297,563

32. TAX EXPENSE

	2013	2012
Current tax expense		
Current year	14,008	5,817
	14,008	5,817
Deferred tax expense		
Origination and reversal of temporary differences	(24,727)	(5,663)
Reduction in tax rate	-	1,404
Recognition of previously unrecognised tax losses	(6,740)	400
	(31,467)	(3,859)
Total tax expense	(17,459)	1,958

33. CONTINGENT LIABILITIES AND COMMITMENTS

	2013	2012
a) Contingent liabilities		
Unutilised financing facilities	5,021,685	4,741,872
Acceptances	460,844	420,321
Guarantees	5,308,901	5,611,126
Letters of credit	1,188,790	1,470,011
	11,980,220	12,243,330
b) Commitments		
Investment commitment (i)	163,800	1,128,400
Other risk management instruments	7,566,595	10,779,839
	7,730,395	11,908,239
Total	19,710,615	24,151,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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33. CONTINGENT LIABILITIES AND COMMITMENTS (CONTINUED)

b) Commitments (continued)

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.

Note (i):

On 6 May 2012, QInvest LLC (subsidiary of the Group) entered into a definitive agreement with EFG Hermes Holding S.A.E ("EFG Hermes") involving EFG Hermes' Brokerage, Research, Assets Management, Investment Banking and Infrastructure Fund Business. Pursuant to the agreement, EFG Hermes and QInvest will enter into a joint venture at the level of EFG Hermes Qatar L.L.C, to be 60% owned by QInvest and 40% owned by EFG Hermes. EFG Hermes will also have the right to sell its entire 40% shareholding in the JV Company to QInvest at any time during the period between 12 to 36 months from signing of the transaction at a price of EGP 1 billion. QInvest will have the right to acquire from EFG Hermes its entire 40% shareholding at any time during the period between 12 to 36 months from signing of the transaction at the higher of QR 601 million or fair market value at the time of the exercise subject to a cap. At closing of the joint venture transaction, QInvest will also acquire 60% of the seed capital of the asset management business at market value from EFG Hermes.

On 16 September 2012, the Extraordinary General Assembly meeting of EFG Hermes approved the transaction.

On 1 January 2013, QInvest paid QR 30 million to acquire 60% of the share capital of EFG Hermes Qatar LLC by way of a share subscription. The remaining amount of QR 880 million were supposed to be paid by QInvest to EFG Hermes Qatar LLC at completion; this amount is supposed to be used by EFG Hermes Qatar LLC to acquire the identified target companies from EFG Hermes. In addition to the above, QInvest was supposed to acquire 60% of the asset management seed capital from EFG Hermes on the date of final closing.

QInvest and EFG Hermes did not get the final regulatory approvals by 10 May 2013. The transaction lapsed as per agreement terms, the outstanding commitment was extinguished and the initial consideration paid amounting to QR 30 million was received back from EFG Hermes Qatar LLC in May 2013.

c) Lease commitments

Operating lease rentals are payable as follows:

	2013	2012
Less than one year	5,688	19,737
Between one and five years	53,797	69,486
More than five years	86,483	88,269
	145,968	177,492

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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:

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

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)

2012	Qatar	Other GCC	Europe	North America	Others	Total
Assets						
Cash and balances with central banks	3,498,132	–	3	–	145,600	3,643,735
Due from banks	4,905,518	2,938,409	508,332	14,582	391,122	8,757,963
Financing assets	40,380,926	819,796	1,159,295	72,800	704,517	43,137,334
Investment securities	10,852,682	1,120,417	590,643	265,832	526,184	13,355,758
Investment in associates	506,417	–	98,788	–	270,106	875,311
Investment properties	415,469	–	358,763	–	–	774,232
Assets of a subsidiary held for sale	–	–	293,638	–	–	293,638
Fixed assets	372,023	2,599	2,744	–	–	377,366
Intangible assets	248,619	826	374	–	–	249,819
Other assets	1,422,382	77,844	209,497	3,673	13,510	1,726,906
Total assets	62,602,168	4,959,891	3,222,077	356,887	2,051,039	73,192,062
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	4,917,778	2,937,648	421,600	–	2,094,492	10,371,518
Customers' current accounts	9,004,879	44,780	24,987	131	7,103	9,081,880
Sukuk financing	5,415,628	–	–	–	–	5,415,628
Liabilities of a subsidiary held for sale	–	–	205,182	–	–	205,182
Other liabilities	996,298	1,217	540	–	3,312	1,001,367
Total liabilities	20,334,583	2,983,645	652,309	131	2,104,907	26,075,575
Equity of unrestricted investment account holders	31,194,194	2,276,517	463,292	114,912	16,567	34,065,482
Total liabilities and equity of unrestricted investment account holders	51,528,777	5,260,162	1,115,601	115,043	2,121,474	60,141,057

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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 in issue during the year.

	2013	2012
Profit for the year attributable to the shareholders of the Bank	1,335,400	1,241,445
Weighted average number of outstanding shares	236,293	236,293
Earnings per share (QAR)	5.65	5.25

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

	2013	2012
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:

	2013	2012
Cash and balances with central banks (excluding restricted QCB reserve account)	814,159	1,716,876
Due from banks	5,709,645	8,525,984
	6,523,804	10,242,860

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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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 significant 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:

	2013			2012		
	Associate companies	Board of Directors	Others	Associate Companies	Board of Directors	Others
Assets:						
Financing assets	312,457	356,188	93,571	2,570,555	325,550	-
Other assets	4	-	-	38,914	-	212,093
Equity of unrestricted investment account holders	13,853	116,004	-	7,791	128,540	39,767
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	639	214,695	360,047	-	184,242	1,035,256
Consolidated statement of income items:						
Financing income	14,523	3,509	1,704	29,919	4,587	3,144
Profit paid on deposits	1,333	1,047	-	2,039	9,640	-
Others	-	-	746	-	-	6,538

Key management personnel compensation for the year comprised:

	2013	2012
Short-term employee benefits	62,031	56,688
Board of Directors' remuneration	30,482	35,234
	92,513	91,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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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	2013	2012
Q-Invest L.L.C	Qatar	52.85%	53.04%
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%	30.00%
Arab Finance House L.L.C	Lebanon	0.007%	63.00%

Accumulated balances of material non-controlling interest:

	2013	2012
Total non-controlling interest in all subsidiaries	1,812,946	1,577,130

Loss allocated to material non-controlling interest:

	2013	2012
Total non-controlling interest in all subsidiaries	(9,796)	(115,754)

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:

	2013	2012
Total assets	3,565,592	2,324,034
Total liabilities and unrestricted investment accountholders	1,752,665	751,818
Total revenue	87,238	62,996
Net losses	(9,796)	(115,754)

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

	2013	2012
Net cash used in operating activities	(40,045)	(140,117)
Net cash (used in) from investing activities	(47,440)	412,699
Net cash used in financing activities	(111,717)	(62,69)
Net (decrease) / increase in cash and cash equivalents	(199,202)	210,212

39. ZAKAH

Zakah is directly borne by the shareholders. The Group 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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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 2013 by QAR 33 million (2012: QAR 31 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 2012 have been reclassified where necessary to preserve consistency with the 2013 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	2013	2012
ASSETS		
Cash and balances with central banks	2,879,591	3,498,131
Due from banks	5,019,736	7,399,497
Financing assets	48,050,519	42,551,512
Investment securities	15,874,954	13,934,942
Investment in associates	568,335	686,830
Investment properties	529,484	774,232
Fixed assets	350,960	351,255
Intangible assets	60,924	30,248
Other assets	768,155	1,120,656
TOTAL ASSETS	74,102,658	70,347,303
LIABILITIES		
Due to banks	5,979,261	9,983,864
Customers' current accounts	12,306,675	9,060,008
Sukuk financing	5,444,077	5,439,294
Other liabilities	1,117,784	903,214
TOTAL LIABILITIES	24,847,797	25,386,380
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	37,064,387	33,251,978
SHAREHOLDERS' EQUITY		
Share capital	2,362,932	2,362,932
Legal reserve	6,353,459	6,353,459
Risk reserve	1,084,566	763,213
General reserve	79,485	79,485
Fair value reserve	19,904	42,284
Foreign currency translation reserve	(18,838)	-
Other reserves	212,058	289,080
Proposed cash dividends	945,172	886,100
Retained earnings	1,151,736	932,392
TOTAL SHAREHOLDERS' EQUITY	12,190,474	11,708,945
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY	74,102,658	70,347,303

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

At 31 December 2013

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44. STATEMENT OF INCOME OF THE PARENT BANK

For the year ended 31 December	2013	2012
Net income from financing activities	1,943,712	2,048,995
Net income from investing activities	750,246	601,917
Total net income from financing and investing activities	2,693,958	2,650,912
Fee and commission income	317,737	303,817
Fee and commission expense	(76,464)	(55,457)
Net fee and commission income	241,273	248,360
Net foreign exchange gain	49,791	33,832
Share of results of associates	9,353	(10,955)
Other income	-	10,866
Total income	2,994,375	2,933,015
Staff costs	(387,085)	(342,797)
Depreciation and amortization	(55,176)	(51,748)
Sukuk holder's share of profit	(173,519)	(120,625)
Other expenses	(219,942)	(229,751)
Total expenses	(835,722)	(744,921)
Net impairment loss on investment securities	(255,149)	(244,146)
Net impairment loss on financing assets	(45,085)	(158,463)
Other impairment losses	(8,793)	-
Profit for the year before return to unrestricted investment account holders	1,849,626	1,785,485
Return to unrestricted investment account holders before the Bank's share as Mudarib	(767,780)	(858,910)
Bank's share as Mudarib	360,386	427,674
Less: net return to unrestricted investment account holders	(407,394)	(431,236)
Profit for the year before tax	1,442,232	1,354,249
Profit for the year	1,442,232	1,354,249

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Al Fanar Branch

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Al Gharafa Branch

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Barwa Branch

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Al Sadd Branch

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Fax 44478947

Al Shahania Branch

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Fax 44719044

Al Khor Branch

Tel. 44721666
Fax 44721888

General Authority of Minors Branch

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Fax 44320902

Al Rayyan Branch

Tel. 44597777
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Al Ghuwairiya Branch

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Airport Branch

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City Center Branch

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Al Wakra Branch

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Yarmouk Branch

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