Qatar Islamic Bank (S.A.Q)

Consolidated financial statements

31 December 2014

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR ISLAMIC BANK (S.A.Q)

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

Basis of opinion

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

Opinion

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

Report on other legal and regulatory matters

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

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

Date: 18 Januray 2015
Doha
State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

QAR '000s

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

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

Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani
Chairman

Bassel Gamal
Group Chief Executive Officer

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

CONSOLIDATED STATEMENT OF INCOME

QAR '000s

For the year ended 31 December 2014

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QAR '000s

For the year ended 31 December 2014

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) **QAR '000s**

For the year ended 31 December 2014

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS QAR '000s

For the year ended 31 December 2014

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

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

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

QAR '000s

For the year ended 31 December 2014

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

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

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS (CONTINUED) QAR '000s

For the year ended 31 December 2014

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

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

CONSOLIDATED STATEMENT OF SOURCES AND USES OF CHARITY FUND

QAR '000s

For the year ended 31 December 2014

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

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

At 31 December 2014 QAR '000s

1 REPORTING ENTITY

Qatar Islamic Bank S.A.Q ("QIB" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 8 July 1982 as Qatari Public Shareholding company under Emiri Decree No. 45 of 1982. The commercial registration number of the Bank is 8338. The address of the Bank's registered office is Doha, State of Qatar, P.O. Box 559. The consolidated financial statements of the Bank for the year ended 31 December 2014 comprise the financial statements of the Bank and its subsidiaries (together referred to as "the Group" and individually as ("Group entities"). The Bank is primarily involved in corporate, retail and investment banking, and has 29 branches in Qatar and one branch in Sudan. The Parent Company of the Group is Qatar Islamic Bank (S.A.Q). The Bank's shares are listed for trading on the Qatar Exchange.

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

The principal subsidiaries of the Group are as follows:

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

At 31 December 2014 QAR '000s

1 REPORTING ENTITY (CONTINUED)

	Country of Incorportaion	*Principal Business Activity*	*Effective Percentage of Ownership* *2014*	*2013*
Q Saudi Beta (vi)	Cayman Islands	Investment holding company	**50.13%**	47.15%
Q Saudi Gamma (vi)	Cayman Islands	Investment holding company	**50.13%**	47.15%
QInvest Holding Mauritius (vi)	Mauritius	Investment holding company	**50.13%**	47.15%
QInvest Luxembourg SARL (vi)	Luxembourg	Investments	**50.13%**	47.15%
QInvest Partners LLC (vi)	Qatar (QFC)	Investment holding company	**50.13%**	47.15%
QWMB Investment WLL (vi)	Bahrain	Investment holding company	**-**	46.91%
Q Equity (vi)	Cayman Islands	Equity investments	**50.13%**	47.15%
Q Green (vi)	Cayman Islands	Investment holding company	**50.13%**	47.15%
Q Exhibit (vi)	Mauritius	Investment holding company	**50.13%**	47.15%
Q Learn (vi)	Mauritius	Investment holding company	**50.13%**	47.15%
Fleet Street Financing 1 Limited (vi)	Cayman Islands	Investment holding company	**-**	47.15%
QI St Edmund's Terrace Limited (vi)	Cayman Islands	Investment holding company	**50.13%**	47.15%
St. Edmund's Terrace GP Limited (vi)	Cayman Islands	Investment holding company	**50.13%**	47.15%
SET Investment Management Limited (vi)	Cayman Islands	Investment holding company	**50.13%**	47.15%
Inner Mauritius Investments Limited (vi)	Mauritius	Investment holding company	**50.13%**	47.15%
Asian Finance Initiative Corporation (vi)	Cayman Islands	Providing Murabaha facilities	**50.13%**	47.15%
Q Land Real Estate SPC (vi)	State of Qatar	Real estate investments	**-**	47.15%
Q Admiral (vi)	Cayman Islands	Providing Murabaha facilities	**50.13%**	-
QInvest Admiral (vi)	Qatar (QFC)	Investment holding company	**50.13%**	-
Q Marina (vi)	Cayman Islands	Providing Murabaha facilities	**50.13%**	-
QInvest Marina (vi)	Qatar (QFC)	Investment holding company	**50.13%**	-
Q Denmark (vi)	Cayman Islands	Providing Murabaha facilities	**50.13%**	-
QInvest Denmark LLC (vi)	Qatar (QFC)	Investment holding company	**50.13%**	-
QInvest Comms Holding LLC (vi)	Qatar (QFC)	Special Purpose Company	**50.13%**	-
Q Comms (vi)	Cayman Islands	Providing Murabaha facilities	**50.13%**	-
QI One Wall Street Invest Co. (vi)	Cayman Islands	Investment holding company	**50.13%**	-
EFH S.a.r.l. (vi)	Luxembourg	Investment holding company	**50.13%**	-

Notes:

i) Effective from 1 December 2013 the Bank acquired an additional 62.99% of the share capital of Arab Finance House, from that date it is being reported as a subsidiary.

ii) Effective from 1 January 2013, the Group has obtained control to govern the financial and operating policies of its previous associate through management agreement with other shareholders in the Company.

iii) QIB Sukuk Ltd, was incorporated in the Cayman Islands as an exempted company with limited liability for the sole purpose of Sukuk issuance for the benefit of QIB.

iv) The Bank has the power to cast majority of the votes in the Board of Directors meetings of Aqar by virtue of representing highest number of members in the Board.

v) As per the Articles of Association of QInvest, the Bank has the power to appoint 8 members of the Board of Directors out of 8 members. Further, on 27 February 2014, QInvest LLC in its Extraordinary General Assembly approved buyback of its shares (44,642,857 shares). Due to the buyback of shares from minority shareholders, the QIB shareholding in QInvest LLC has increased to 50.13%.

vi) The Group has the power to control these entities, indirectly through QInvest LLC and accordingly these entities have been considered as subsidiaries of the Group.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation of currency

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

(d) Use of estimates and judgments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

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

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

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

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vii) Associates (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency (continued)

(ii) Foreign operations (continued)

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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

(i) Classification (continued)

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).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

(iv) Measurement principles

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

Fair value measurement
Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financing assets (continued)

Musharaka

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

Ijarah

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

Istisna'a

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

Wakala

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

(e) Other financial assets and liabilities

(i) Recognition and initial measurement

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other financial assets and liabilities (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Cash and cash equivalents

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

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

(h) Investment properties

Investment property held for rental or capital appreciation is measured at fair value with the resulting unrealised gains being recognised in the statement of changes in equity under fair value reserve. Any unrealized losses resulting from re-measurement at fair value is recognized in the consolidated statement of financial position under fair value reserve to the extent of available balance. In case such losses exceed the available balance, the unrealized losses are recognized in the consolidated statement of income under unrealized re-measurement gains or losses on investment property. In case there are unrealized losses that have been recognized in the consolidated statement of income in a previous financial year, the unrealized gains related to the current financial year is recognized to the extent of crediting back such previous losses in the consolidated statement of income. Any excess of such gains over such prior-year losses is added to the fair value reserve.

(i) Risk Management Instruments

Risk management instruments

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

(j) Fixed assets

(i) Recognition and measurement

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fixed assets (continued)

(i) Recognition and measurement (continued)

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

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

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

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

(k) Intangible assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets (continued)

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

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

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

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

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

Impairment losses are recognised in consolidated statement of income. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Customer current accounts

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

(n) Equity of unrestricted investment account holders

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

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

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

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

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

(p) Restricted investment accounts

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

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 amoritised 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Share-based payment transactions

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

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

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

(t) Share capital and reserves

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(u) Revenue recognition

Murabaha and Musawama

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

Mudaraba

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue recognition (continued)

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.

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 Group to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

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

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

(aa) Earnings prohibited by Shari'a

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

(bb) Assets held for sale

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

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

(cc) Wakala payables

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(dd) Financial guarantees

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

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

Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "fee and commission income".

(ee) Contingent liabilities

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

(ff) Comparatives

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

(gg) Parent bank financial information

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

(hh) New standards and interpretations

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

Standard
Investment Entities (Amendment to IFRS 10, IFRS 12 and IAS 27)
Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)
Recoverable Amount Disclosure for Non-Financial Assets (Amendment to IAS 36)
IFRIC 21 Levies

The adoption of the above standrads did not result in any changes to previously reported net profit or equity of the Group.

Standrads issued but not yet effective

The below mentioned Standards, Interpretation and Amendments to Standards are not yet effective.
The Group is currently evaluating the impact of these new standards. The Group will adopt these new standrads on the respective effective dates, if there is no equivalent FAS Standard.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(hh) New standards and interpretations (continued)

Standrads issued but not yet effective (contined)

IFRS 9 – Financial Instruments (Effective 1 January 2018)
IFRS 14 – Regulatory Deferral Accounts (Effective 1 January 2016)
IFRS 15 – Revenue from Contracts with Customers (Effective 1 January 2017)
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests (Effective 1 January 2016)
Amendments to IAS 16 and IAS 38: Clarification of Acceptance Methods of Depreciation and Amortisation (Efective 1 January 2016)
Amendments to IAS 27: Equity Method in Separate Financial Statements (Effective 1 January 2016)

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

Financial instruments

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

Risk Management

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

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

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

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

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

Risk management framework

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk management framework (Continued)

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

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

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

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

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk management framework (Continued)

The Audit and Risk Committee is assisted in these functions by the Internal Audit and Compliance Departments. In addition to the above mentioned committees, the management has also established a number of multi-functional internal committees such as the Management Committee, Credit & Investment Committee, Assets and Liabilities Committee (ALCO) and, Special Assets Committee which are responsible for developing and monitoring Group's risk management policies in their specified areas.

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

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

(b) Credit risk

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

The Group's credit risk management framework includes:

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

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

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

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

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

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

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Geographical sectors

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

2014

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

2013

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Geographical sectors (continued)

Off balance sheet items

2014	**Qatar**	**Other GCC**	**Other Middle East**	**Others**	**Total**
Guarantees	**8,552,125**	**-**	**10,349**	**77,734**	**8,640,208**
Unutilised financing facilities	**5,937,557**	**163,800**	**8,362**	**346,773**	**6,456,492**
Letters of credit	**1,582,684**	**-**	**18,287**	**22,934**	**1,623,905**
Acceptances	**406,367**	**-**	**-**	**126,962**	**533,329**
	16,478,733	**163,800**	**36,998**	**574,403**	**17,253,934**

2013	Qatar	Other GCC	Other Middle East	Others	Total
Guarantees	4,580,253	84,278	68,105	576,265	5,308,901
Unutilised financing facilities	5,000,849	-	20,836	-	5,021,685
Letters of credit	1,125,021	14	40,484	23,271	1,188,790
Acceptances	141,247	19,790	298,225	1,582	460,844
	10,847,370	104,082	427,650	601,118	11,980,220

Industry sectors

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

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality

The following table provides the details for the credit quality:

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

Impaired financing assets and investment in debt-type securities

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

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Financing assets past due but not impaired

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

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

Renegotiated financing assets

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

(iv) Collateral

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

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

The aggregate collateral is QAR 1,916 million (2013: QAR 1,745 million) for past due up to 30 days, QAR 96 million (2013: QAR 366 million) for past due from 30 to 60 days, QAR 69 million (2013: QAR 133 million) for past due from 60 and 90 days, and QAR Nil (2013: QAR 185 million) for past due more than 91 days.

Repossessed collateral

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

Write-off policy

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

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Write-off policy (continued)

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.

(c) Liquidity risk

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

(i) Management of liquidity risk

The Group maintains a portfolio of high quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis through a Liquidity Management dashboard which captures many liquidity parameters both under normal and stressed market conditions. The dashboard includes threshold points which will help proactively identify any liquidity constraints, the remedial actions that will be taken under each situation along with the responsible persons. All liquidity policies and procedures are subject to review and approval by ALCO.

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

(ii) Exposure to liquidity risk

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis

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

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

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

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.

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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.

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
2014				
Equity price risk 10-day VaR @99%	**53**	**51**	**56**	**46**
2013				
Equity price risk 10-day VaR @99%	872	4,337	9,755	872

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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:

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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

Sensitivity analysis

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

Sensitivity of net profit	**100 bp parallel increase**	**100 bp parallel decrease**
2014		
At 31 December	**(14.15 million)**	**14.15 million**
2013		
At 31 December	(43.17 million)	43.17 million

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Sensitivity analysis (continued)

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.

(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

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

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

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

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

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Equity price risk

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

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

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

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

(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.

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks (continued)

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

(f) Capital management

Regulatory capital

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

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

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

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

	2014	2013
	Basel III	Basel II
Tier 1 capital	**10,780,494**	9,224,557
Tier 2 capital	**33,049**	492,342
Total regulatory capital	**10,813,543**	9,716,899

At 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (continued)

Risk weighted assets

	2014 **Basel III**	2013 Basel II
Risk weighted assets for credit risk	**72,577,143**	52,613,788
Risk weighted assets for market risk	**243,335**	2,052,170
Risk weighted assets for operational risk	**4,951,388**	4,201,275
Total risk weighted assets	**77,771,866**	58,867,233
Regulatory capital	**10,813,543**	9,716,899
Risk weighted assets as a percentage of regulatory capital (capital ratio)	**13.9%**	16.5%

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

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

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

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

5 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Allowance for credit losses

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

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

(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.

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.

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(i) Valuation of financial instruments (continued)

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.

(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		
2014	**Total**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets measured at fair value:				
Investments securities :				
Quoted equity-type investments classified as fair value through income statement	-	-	-	-
Unquoted equity-type investments classified as fair value through income statement	**448,902**	-	280,593	168,309
Quoted equity-type investments classified as fair value through equity	**222,899**	222,899	-	-
Unquoted equity-type investments classified as fair value through equity	**549,249**	-	498,398	50,851

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5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(ii) Financial asset classification (continued)

2013	Total	Fair value measurement using Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
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

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

(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 asssets 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 that the investee will enter bankruptcy or other financial reorganization.

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(vii) Classification of assets held for sale

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

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

(viii) Valuation of investment properties

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

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

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

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

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

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

(x) Going concern

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

6. OPERATING SEGMENTS

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

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

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

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

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6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

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

As at 31 December 2014 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

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

QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

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

7 FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

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

As at 31 December 2014 QAR '000s

7 FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS (CONTINUED)

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

2013	Fair value through equity	Fair value through income statement	Amortised cost	Total carrying amount	Fair value
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
Investment securities:					
- 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

At 31 December 2014 QAR '000s

8. BUSINESS COMBINATION

Acquisitions in 2014

On 1 May 2014, QIB acquired additional 10% of the voting shares of Asian Finance Bank ("AFB") for a purchase consideration of QR 61 million which raised the total shareholding to 60%. AFB is registered as an Islamic Bank in Malaysia and regulated by Bank Negara Malaysia. The principal business lines of AFB include corporate and retail banking.

The Bank does not have "control" over AFB as defined in IFRS 10- Consolidated Financial Statements and FAS 23 – Consolidation under AAOIFI, due to the shareholders agreement. Hence AFB continues to be accounted for as an associate under FAS 24- Investment in Associates under AAOIFI, following the equity method of accounting.

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

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

Acquisitions in 2013

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

Arab Finance House L.L.C

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

At 31 December 2014 QAR '000s

8 BUSINESS COMBINATION (CONTINUED)

Acquisitions in 2013 (continued)

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 QR'000	*Carrying amounts immediately prior to acquisition QR'000*
Assets		
Cash and bank balances	77,904	77,904
Placements with financial institutions	126,614	126,614
Investment securities	85,092	89,352
Financing assets	107,830	120,570
Other assets	128,984	105,324
	526,424	519,764
Liabilities		
Due to banks	180,142	180,142
Customer deposits	138,529	138,529
Other liabilities	62,995	64,099
	381,666	382,770
Net assets	144,758	136,994
Non-controlling interest (0.007%)	(9)	(10)
Total net assets acquired	144,749	136,984
Goodwill arising from acquisition	22,100	
Cost of business combination	166,849	
Consideration		
Cash consideration	116,163	
Fair value of QIB's equity interest in Arab Finance House held before the business combination	50,686	
	166,849	

Goodwill arising on step acquisition	
Fair value of consideration	166,849
Plus: non-controlling interests (0.007% in AFH)	9
Less: fair value of identifiable net assets acquired	(144,758)
Goodwill arising on acquisition	22,100

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

At 31 December 2014 QAR '000s

8 BUSINESS COMBINATION (CONTINUED)

Acquisitions in 2013 (continued)

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

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

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

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

	Fair values at the acquisition date 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	**-**

At 31 December 2014 QAR '000s

8 BUSINESS COMBINATION (CONTINUED)

Acquisitions in 2013 (continued)

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

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

9. CASH AND BALANCES WITH CENTRAL BANKS

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

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

10. DUE FROM BANKS

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

At 31 December 2014 QAR '000s

11. FINANCING ASSETS

(a) By type

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

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

Impairment distribution by nature of the customer is as follow:

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

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

	2014	2013
Balance at 1 January	**425,317**	460,095
Provisions provided during the year	**218,920**	167,461
Recoveries during the year	**(129,007)**	(70,078)
Written off during the year	**(971)**	(100,129)
Adjustments	**590**	(32,032)
Balance at 31 December	**514,849**	425,317

At 31 December 2014 QAR '000s

11. FINANCING ASSETS (CONTINUED)

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

	Corporates	SMEs	Retail	Real Estate Mortgages	Total
Balance at 1 January 2014	**112,705**	**7,746**	**204,473**	**100,393**	**425,317**
Provisions provided during the year	**58,151**	**2,330**	**140,261**	**18,178**	**218,920**
Recoveries during the year	**(32,570)**	**(4,318)**	**(37,479)**	**(54,640)**	**(129,007)**
Written off during the year	**-**	**-**	**(774)**	**(197)**	**(971)**
Adjustments	**590**	**-**	**-**	**-**	**590**
Balance at 31 December 2014	**138,876**	**5,758**	**306,481**	**63,734**	**514,849**
Balance at 1 January 2013	125,437	8,678	146,275	179,705	460,095
Provisions provided during the year	63,909	2,187	88,935	12,430	167,461
Recoveries during the year	(7,899)	(3,119)	(29,652)	(29,408)	(70,078)
Written off during the year	(68,742)	-	(1,085)	(30,302)	(100,129)
Transfer to other assets	-	-	-	(32,032)	(32,032)
Balance at 31 December 2013	112,705	7,746	204,473	100,393	425,317

At 31 December 2014 QAR '000s

11. FINANCING ASSETS (CONTINUED)

(d) By sector

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

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

QAR '000s

11. FINANCING ASSETS (CONTINUED)

(d) By sector (continued)

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

At 31 December 2014 QAR '000s

12. INVESTMENT SECURITIES

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

Notes:

(i) The fair value of the investments carried at amortised costs as at 31 December 2014 amounted to QAR 13,989 million (2013: QAR 13,003 million).

(ii) The fair value hierarchy and the transfers between categories of fair value hierarchy are disclosed in Note 5 (b).

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

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

Note:

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

At 31 December 2014 QAR '000s

13. INVESTMENT IN ASSOCIATES

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

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

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

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

At 31 December 2014 QAR '000s

13 INVESTMENT IN ASSOCIATES (CONTINUED)

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

Notes:

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

- The financial statements for the four entities of Retaj have been presented together.

14. INVESTMENT PROPERTIES

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

Note:

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

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

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

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

Notes:

(i) During 2014, QInvest LLC has classified all the assets and liabilities of its 100% owned subsidiary "QWest S.A.S.", a limited liability company incorporated under the laws of France, as held for sale. QInvest's subsidiary 'QWest S.A.S.' owns equity investment in a company listed Stock Exchange of France. Significant restructuring was performed in the subsidiary during 2014 including recapitalization of its equity to meet the regulatory requirements and have it ready to sale. The Group intends to sell the subsidiary during 2015 hence the subsidiary has been classifed as Held for Sale.

(ii) During the year 2013, QInvest LLC entered into a Murabaha agreement with Q Land Real Estate SPC (" Q land") that held the legal ownership of leased properties (the "properties"). Under the terms of a commodity Murabaha agreement (without transfer of the legal ownership of the properties), QInvest provided a financing of US$ 79.6 million (QAR 290 million) to Q Land. In addition to fixed return on Murabaha, QInvest was entitled to 100% of any additional proceeds from the properties. The Murabaha was secured by a mortgage over the properties and an assignment of the lease proceeds to QInvest. In addition and despite the fact that QInvest was not a direct or indirect shareholder in Q Land Real Estate SPC, it had been granted several controlling rights over Q Land Real Estate SPC under an irrevocable power of attorney granted in favor of QInvest for managing, disposing, renting etc. the properties and the Articles of Association of Q Land Real Estate SPC which prohibited Q Land Real Estate SPC from including, but not limited to, disposing of or providing mortgage over any of Q Land Real Estate SPC's assets, appointing and removing Q Land Real Estate SPC's directors, liquidating or dissolving Q Land Real Estate SPC, obtaining any loans from financial institutions and providing any covenants or security in this regard, etc. without the prior written approval of QInvest.

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

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

At 31 December 2014 QAR '000s

16. FIXED ASSETS

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

At 31 December 2014 QAR '000s

17. INTANGIBLE ASSETS

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

Note:

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

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

a) Fair value of the fee generating businesses was determined using the discounted cash flow method (DCF)
b) Fair value of the following investment securities:

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

Key assumptions used in the valuation

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

Discount rate

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

At 31 December 2014 QAR '000s

18. OTHER ASSETS

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

Notes:

(i) Work in progress represents real estate projects under construction, branches and ATM locations under development and others.

(ii) This represents the net value of the property acquired in settlement of financing assets which is stated at its acquisition value less impairment allowance. The estimated market values of this property as at 31 December 2014 amounted to QAR 71 million (2013: QAR 71 million).

(iii) Others includes properties under development of a subsidiary company amounting to QAR 2,382,514 (2013: QAR 2,184,867).

19. DUE TO BANKS

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

20. CUSTOMERS' CURRENT ACCOUNTS

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

At 31 December 2014 QAR '000s

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

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

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

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

At 31 December 2014 QAR '000s

22. OTHER LIABILITIES

	Note	2014	2013
Accrued expenses		**149,338**	172,072
Manager cheques		**206,390**	241,886
Customers advances		**57,823**	93,560
Employees' end of service benefits	(i)	**101,639**	91,986
Naps and visa settlements		**114,138**	97,886
Cash margins		**224,679**	99,882
Accrued profit to Sukuk holders		**40,504**	40,504
Contribution to Social and Sports fund		**40,571**	33,385
Dividend payable		**16,026**	27,005
Clearing cheques		**4,253**	7,844
Pension fund		**338**	650
Others		**801,101**	471,870
		1,756,800	1,378,530

Note:

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

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

At 31 December 2014 QAR '000s

23. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

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

By type:	2014	2013
Term accounts	**38,182,379**	23,528,577
Saving accounts	**10,299,195**	9,798,684
Call accounts	**2,992,845**	4,547,829
Total (b)	**51,474,419**	37,875,090
By sector:		
Retail	**18,524,559**	17,040,004
Corporate	**12,038,298**	10,872,765
Non-banking financial institution	**11,517,521**	4,316,032
Government	**7,855,306**	5,625,668
Banks	**1,538,735**	20,621
Total (b)	**51,474,419**	37,875,090

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

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

At 31 December 2014 QAR '000s

24. EQUITY

(a) Share capital

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

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

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

(b) Legal reserve

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

(c) Risk reserve

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

(d) General reserve

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

At 31 December 2014 QAR '000s

24. EQUITY (CONTINUED)

(e) Fair value reserve

2014	**Net movement during the year**
Opening balance	**94,896**
Investments carried as fair value through equity:	
Movement in fair value through fair value reserve	**17,257**
Plus: Share of equity of unrestricted investment account holders	**(19,066)**
Revaluation of investment properties:	
Movement in investment property fair value	**(24,524)**
Less: Share of equity to unrestricted investment account holders	**24,636**
	93,199

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

(f) Foreign currency translation reserve

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

(g) Other reserves

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

(h) Proposed cash dividends

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

25. NON-CONTROLLING INTERESTS

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

At 31 December 2014 QAR '000s

26. NET INCOME FROM FINANCING ACTIVITIES

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

27. NET INCOME FROM INVESTING ACTIVITIES

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

28. NET FEE AND COMMISSION INCOME

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

29. NET FOREIGN EXCHANGE GAIN

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

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30. STAFF COSTS

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

31. OTHER EXPENSES

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

32. TAX (EXPENSE) /CREDIT

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

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33. CONTINGENT LIABILITIES AND COMMITMENTS

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

Unutilised financing facilities

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

Acceptances, Guarantees and Letters of Credit

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

c) Lease commitments

Operating lease rentals are payable as follows:

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

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

Geographical sector

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

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

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

Geographical sector (continued)

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

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35. BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

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

36. CASH AND CASH EQUIVALENTS

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

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

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37. RELATED PARTIES

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

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

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

Key management personnel compensation for the year comprised:

	2014	2013
Key management compensation	**59,043**	62,031

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38 MATERIAL PARTLY-OWNED SUBSIDIARIES

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

Proportion of equity interest held by non-controlling interests:

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

Accumulated balances of material non-controlling interest:

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

Gain/ loss allocated to material non-controlling interest:

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

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

Summarised financial information relating to the non-controlling interests in all subsidiaries:	**2014**	2013
Total assets	**3,246,808**	3,565,592
Total liabilities and unrestricted investment accountholders	**2,013,454**	1,752,665
Total revenue	**410,366**	141,943
Net gain / losses	**67,117**	(9,797)

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

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

39. ZAKAH

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

40. SHARI'A SUPERVISORY BOARD

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

41. SOCIAL AND SPORTS FUNDS APPROPRIATION

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

42. COMPARATIVE FIGURES

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

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43. STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

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

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44. STATEMENT OF INCOME OF THE PARENT BANK

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