CONSOLIDATED FINANCIAL STATEMENTS

BARWA BANK Q.S.C.

FOR THE YEAR ENDED
31 DECEMBER 2013

BARWA BANK Q.S.C.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BARWA BANK (Q.S.C.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Barwa Bank Q.S.C (the "Bank") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement and consolidated statements of changes in owners' equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Respective responsibilities of the Board of Directors and Auditors

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 Board of Directors of the Bank. 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 the Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions. 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 the 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 give a true and fair view of the consolidated financial position of the Group as at 31 December 2013, and the results of its operations, changes in owners' equity and cash flows for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and the applicable provisions of Qatar Central Bank regulations.

Report on other legal and regulatory matters

We have obtained all the information and explanations which we consider necessary for the purpose of our audit. The Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We are not aware of any violations of the applicable provisions of Qatar Central Bank Law No. 13 of 2012, Qatar Commercial Law No. 5 of 2002 or the terms of Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position as at 31 December 2013.

17 February 2014
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

QAR '000s

As at 31 December	Note	2013	2012
ASSETS			
Cash and balances with Qatar Central Bank	8	**1,088,794**	853,747
Due from banks	9	**3,840,100**	1,026,391
Financing assets	10	**19,347,121**	15,331,735
Investment securities	11	**7,734,221**	6,652,339
Investment in associates and joint ventures	12	**255,581**	194,429
Investment property	13	**40,042**	39,824
Fixed assets	14	**134,048**	110,134
Intangible assets	15	**777,230**	807,940
Other assets	16	**409,739**	243,282
TOTAL ASSETS		**33,626,876**	25,259,821
LIABILITIES			
Due to banks	17	**5,820,178**	4,733,303
Customer current accounts	18	**1,652,902**	782,234
Other liabilities	19	**843,167**	459,543
TOTAL LIABILITIES		**8,316,247**	5,975,080
EQUITY OF INVESTMENT ACCOUNT HOLDERS	20	**19,577,439**	14,063,097
OWNERS' EQUITY			
Share capital	21(a)	**3,000,000**	3,000,000
Legal reserve	21(b)	**1,809,483**	1,710,221
Treasury shares	21(e)	**(38,349)**	(38,349)
Risk reserve	21(c)	**442,494**	302,215
Fair value reserve	11	**23,850**	26,928
Foreign currency translation reserve		**1,682**	-
Other reserves	21(d)	**215,155**	119,542
Retained earnings		**235,352**	74,197
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**5,689,667**	5,194,754
Non-controlling interests	22	**43,523**	26,890
TOTAL OWNERS' EQUITY		**5,733,190**	5,221,644
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**33,626,876**	25,259,821

These consolidated financial statements were approved by the Board of Directors on 17 February 2014 and were signed on its behalf by:

Mohamed Bin Hamad Bin Jassim Al Thani
Chairman

Khalid Al-Subeai
Acting Group Chief Executive Officer

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

QAR '000s

For the year ended 31 December	Note	2013	2012
Net income from financing activities	23	**846,730**	716,633
Net income from investing activities	24	**405,474**	286,811
Total net income from financing and investing activities		**1,252,204**	1,003,444
Fee and commission income	25	**151,060**	133,111
Fee and commission expense	25	**(15,021)**	(13,081)
Net fee and commission income		**136,039**	120,030
Net foreign exchange gain		**11,025**	15,295
Share of results of associates and joint ventures	12	**10,528**	25,500
Other income		**11,399**	9,856
Total income		**1,421,195**	1,174,125
Staff costs	26	**(298,483)**	(216,360)
Depreciation and amortization	14,15	**(50,940)**	(49,076)
Other expenses	27	**(171,584)**	(142,350)
Finance cost		**(63,368)**	(56,220)
Total expenses		**(584,375)**	(464,006)
Net impairment loss on investment securities	11	**(8,681)**	(52,623)
Net impairment loss on financing assets	10(b)	**(76,006)**	(75,474)
Profit for the year before return to investment account holders		**752,133**	582,022
Return to investment account holders before the Bank's share as Mudarib		**(365,983)**	(283,551)
Bank's share as Mudarib		**117,739**	46,749
Net return to investment account holders	20	**(248,244)**	(236,802)
Net profit for the year		**503,889**	345,220
Net profit for the year attributable to:			
Equity holders of the Bank		**496,309**	345,093
Non-controlling interests		**7,580**	127
Profit for the year		**503,889**	345,220
Earnings per share			
Basic and diluted earnings per share (QAR per share)	32	**1.68**	1.17

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

QAR '000s

For the year ended 31 December 2013

	Share capital	Legal reserve	Treasury shares	Risk reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2013	3,000,000	1,710,221	(38,349)	302,215	26,928	-	119,542	74,197	5,194,754	26,890	5,221,644
Fair value reserve movement (note 11)	-	-	-	-	(3,078)	-	-	-	(3,078)	-	(3,078)
Share of associates other comprehensive income (note 12)	-	-	-	-	-	1,682	-	-	1,682	-	1,682
Profit for the year	-	-	-	-	-	-	-	496,309	496,309	7,580	503,889
Total recognised income and expense for the year	-	-	-	-	(3,078)	1,682	-	496,309	494,913	7,580	502,493
Transfer to legal reserve	-	99,262	-	-	-	-	-	(99,262)	-	-	-
Transfer to risk reserve	-	-	-	140,279	-	-	-	(140,279)	-	-	-
Change in Other reserves, net	-	-	-	-	-	-	95,613	(95,613)	-	-	-
Change in ownership stake (note 22)	-	-	-	-	-	-	-	-	-	9,053	9,053
Balance at 31 December 2013	3,000,000	1,809,483	(38,349)	442,494	23,850	1,682	215,155	235,352	5,689,667	43,523	5,733,190

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2012

	Share capital	Subscri-ption for rights issue	Legal reserve	Treasury shares	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2012	1,908,691	1,746,094	986,417	(38,349)	125,657	19,573	764	94,042	181	4,843,070	203	4,843,273
Change in foreign currency translation reserve	-	-	-	-	-	-	(764)		-	(764)	-	(764)
Fair value reserve movement (note 11)	-	-	-	-	-	7,355	-	-	-	7,355	-	7,355
Profit for the year	-	-	-	-	-	-	-	-	345,093	345,093	127	345,220
Total recognised income and expense for the year	-	-	-	-	-	7,355	(764)	-	345,093	351,684	127	351,811
Subscriptions for right issue	1,091,309	(1,746,094)	654,785	-	-	-	-	-	-	-	-	-
Transfer to legal reserve	-	-	69,019	-	-	-	-	-	(69,019)	-	-	-
Transfer to risk reserve	-	-	-	-	176,558	-	-	-	(176,558)	-	-	-
Change in Other reserves, net	-	-	-	-	-	-	-	25,500	(25,500)	-	-	-
Change in ownership stake (note 22)	-	-	-	-	-	-	-	-	-	-	26,560	26,560
Balance at 31 December 2012	3,000,000	-	1,710,221	(38,349)	302,215	26,928	-	119,542	74,197	5,194,754	26,890	5,221,644

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS QAR '000s

For the year ended 31 December	Note	2013	2012
Cash flows from operating activities			
Net profit for the year		**503,889**	345,220
Adjustments for:			
Impairment loss on financing assets		**124,811**	117,799
Impairment loss on investment securities	11	**8,681**	52,623
Depreciation and amortisation	14,15	**50,940**	49,076
End of service benefits provision	19.1	**16,951**	10,428
Net gain on sale of investment securities		**(55,708)**	(16,537)
Dividend income	24	**(27,022)**	(13,889)
Share of results of associates and joint ventures	12	**(10,528)**	(25,500)
Gain on disposal of fixed assets		**(4,132)**	-
Gain on disposal of an investment property		**-**	(3,072)
Profit before changes in operating assets and liabilities		**607,882**	516,148
Change in reserve account with Qatar Central Bank		**(151,866)**	(327,518)
Change in due from banks		**(821,720)**	91,799
Change in financing assets		**(4,140,197)**	(6,231,395)
Change in other assets		**(166,457)**	619,335
Change in due to banks		**1,086,875**	503,107
Change in customer current accounts		**870,668**	(544,004)
Change in unrestricted investment accounts		**5,514,342**	6,049,908
Change in other liabilities		**372,023**	(248,252)
		3,171,550	429,128
Dividends received	24	**27,022**	13,889
End of service benefits paid	19.1	**(5,350)**	(3,833)
Net cash from operating activities		**3,193,222**	439,184
Cash flows from investing activities			
Acquisition of investment securities		**(1,077,822)**	(1,814,944)
Acquisition of fixed and intangible assets	14,15	**(45,348)**	(29,614)
Proceeds from sale of fixed assets		**5,336**	-
Acquisition/disposal of an investment property		**(218)**	11,500
Net cash used in investing activities		**(1,118,052)**	(1,833,058)
Net increase / (decrease) in cash and cash equivalents		**2,075,170**	(1,393,874)
Cash and cash equivalents at 1 January		**805,293**	2,199,167
Cash and cash equivalents at 31 December	33	**2,880,463**	805,293

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

As at and for the year ended 31 December 2013 QAR '000s

1. REPORTING ENTITY

Barwa Bank (the "Bank") was incorporated with Qatari Shareholding in the State of Qatar under Commercial Registration No. 38012 dated 28 January 2008 (the "date of incorporation"). The Bank commenced its activities on 1 February 2009 under Qatar Central Bank ("QCB") License No. RM/19/2008. The Bank operates through its head office situated on Grand Hamad Street, Doha and its 4 branches in Doha, State of Qatar.

The Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") are primarily engaged in investing, financing and advisory activities in accordance with Islamic Shari'a principles as determined by the Shari'a Committee of the Bank and provisions of its Memorandum and Articles of Association. Investment activities are carried out for proprietary purpose and on behalf of customers.

The Bank is 37.34% owned by Barwa Real Estate Company Q.S.C., a Qatari listed company, 12.13% by Qatar Holding, the strategic and direct investment arm of the Qatar Investment Authority being the sovereign wealth fund of the State of Qatar, and the remaining shares are owned by several individuals and corporate entities.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Date of Acquisition / incorporation	Percentage of ownership 2013	2012
The First Investor P.Q.S.C. ("TFI")	Qatar	13 December 2009	100%	100%
First Finance Company P.Q.S.C. ("FFC")	Qatar	12 July 2010	100%	100%
First Leasing Company P.Q.S.C ("FLC")	Qatar	13 July 2010	100%	100%
TFI GCC Equity Opportunities Fund	Qatar	31 October 2012	64%	70%

(i) TFI provides a full range of investment banking products and services that comply with Shari'a principles.

(ii) FFC is engaged in Shari'a compliant financing activities in accordance with its Articles of Association and QCB regulations.

(iii) FLC is primarily engaged in the Islamic leasing business.

(iv) TFI GCC Equity Opportunities Fund is an open end fund founded by the Bank and managed by TFI. It invests in marketable equities and debt securities of entities, having Shari'a compliant business model and incorporated in GCC to earn return for its unit holders.

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") and the applicable provisions of Qatar Central Bank ("QCB") regulations. 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 investments carried at fair value through equity, investments carried at fair value through the income statement, investment property and risk management instruments, which are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands. The functional currencies for the Group entities have also been assessed as Qatari Riyals.

(d) Use of estimates and judgments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities except the adoption of new financial accounting standards as detailed in note 3 (y).

(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 consolidated income statement.

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

Costs related to the acquisition, other than those associated with the issue of debt 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 remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in consolidated income statement.

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) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement 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.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in owners' equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.

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 income statement. 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 owners' 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 other equity are reclassified to consolidated income statement.

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 consolidated income statement where appropriate.

(iv) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(v) Associates and Joint Ventures

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

Joint Ventures are those entities over whose activities the group has joint control, established by contractual agreement and requiring unanimous consent for strategic, financial and operating decisions. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures 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 Bank's investment in associates and joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Bank's share of its associates' and joint ventures post-acquisition profits or losses is recognised in the consolidated income statement; 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 Bank's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Bank does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Intergroup gains on transactions between the Bank and its associates and joint ventures are eliminated to the extent of the Bank's interest in the associates and joint ventures. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses in associates and joint ventures are recognised in the consolidated income statement. The accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with policies adopted by the Group.

(b) 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 consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 income statement.

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

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

Equity-type instruments

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

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

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

Equity-type investments designated at fair value through income statement include investments which are managed and evaluated internally for performance on a fair value basis.

On initial recognition, the Bank 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (Continued)

(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 income statement.

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 income statement 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 amoritisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated income statement.

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 owners' 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 income statement.

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

(iv) Measurement principles

Amortised cost measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (Continued)

(iv) Measurement principles (continued)

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing bid price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

(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, Musawama, Ijarah, Istisna'a, Wakala and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

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

Based on QCB instructions Chapter VII, Section D, Para 3/2/1, the Bank 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 and work. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financing assets (Continued)

Istisna'a (continued)

Istisna'a revenue is the total price agreed between the seller and purchaser including the Group's profit margin. The Group recognises Istisna'a revenue and profit margin based on 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

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, customer current accounts, due to banks, and financing 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.

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

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition 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 income statement.

The Group de-recognises 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other financial assets and liabilities (Continued)

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

Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition 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 income statement.

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 derecognized.

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 de-recognised if it meets the de-recognition 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 de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

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

(f) Impairment of financial assets

The Group assesses at each consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of financial assets (Continued)

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 income statement. Impairment losses recognised in the consolidated income statement 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 income statement 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 income statement, 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. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

(g) Cash and cash equivalents

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

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

(h) Investment property

Properties held for capital appreciation purpose are classified as investment property and are measured at fair value with any change therein recognised in equity within the fair value reserve.

(i) Risk Management Instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position and any resulting gain or loss is recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fixed assets

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.

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

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 consolidated income statement.

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

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

Buildings	20 years
IT Equipment (hardware/software)	3-5 years
Fixtures, fittings and office equipment	3-5 years
Motor vehicles	5-7 years

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

(k) Intangible assets

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequent to initial recognition goodwill is measured at cost less accumulated impairment losses.

Intangible assets other than goodwill are amortised over their useful lives, and carried net of accumulated amortisation and impairment losses. Useful life of intangible assets are as follows:

Identifiable intangibles	3-5 years

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Customer current accounts

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Equity of investment account holders

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

The Bank charges a management fee (Mudarib fees) to investment account holders. Of the total income from investment accounts, the income attributable to account holders is allocated to investment accounts after 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 investment accounts. Investment accounts are carried at their book values (amortised cost).

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

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

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between investment account holders and owners.

- The share of profit of investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Bank's agreed and declared Mudaraba fee.

- In case of any expense or loss, which arises out of negligence on the part of the Bank due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the investment account holders. Such matter is subject to the QCB decision.

- In case the results of the Group at the 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 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) 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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

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 cost under note 26 in the consolidated income statement. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised when they are due.

Defined benefit scheme

The Group provides for employees end of service benefits determined in accordance with the requirements of Qatar Labour law pertaining to retirement and pensions, wherever required. These unfunded charges are made by the Group on the basis of employees' salaries and the number of years of service at the statement of financial position date.

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.

(r) Revenue recognition

Murabaha

Profit from Murabaha 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 income statement.

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 income statement on declaration by the Mudarib.

Ijara

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

Istisna'a

Revenue and the associated profit margin are recognised in the Group's consolidated income statement according to the percentage of completion method or completed contract method.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

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.

(s) 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 owners 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.

(t) 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 Group Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(u) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Earnings prohibited by Shari'a

The Bank 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 Bank uses these funds for charitable purposes.

(w) Taxation

The Group is currently exempt from income tax. However, the Bank and certain subsidiaries of the Group that meet the Tax Law criteria are required to file income tax returns with the Public Revenues and Taxes department. The Bank and certain of its subsidiaries have filed their income tax returns for the year ended 31 December 2012 pursuant to Circular No. 4/2011 issued by Ministry of Economic and Finance and the related assessment order is awaited.

(x) Financial information of the Parent

A statement of financial position and income statement of the Parent as disclosed at the end of the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries and associates which are carried at cost.

(y) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2013

The following accounting standard that is effective for the first time for the financial year beginning on or after 1 January 2013 and is expected to be relevant to the Group:

FAS – 26 'Investment in Real estate'

The Banks has adopted Financial Accounting Standard ("FAS 26") "Investment in real estate" issued by AAOIFI in June 2012, which is effective from 1 January 2013. The new standard replaces requirement of FAS 17 which was applied for investments in real estate. The significant requirement of the standard is that for investment in real estate held-for-use, the entity shall choose either cost or fair value model. If the Group chooses fair value model, any fair value gains arising from fair value of investment in real estate should be directly recognised in equity under 'property fair value reserve' until disposal. If the Group chooses cost model, then the investment in real estate is carried at cost less accumulated depreciation (where applicable) and accumulated impairment losses, if any.

The adoption of this standard did not have any material impact on the Group as the Group has been accounting for its investments in real estate at fair value.

New standards, amendments and interpretations issued but not yet effective

There are no AAOIFI accounting standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the Group.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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

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

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risks and operational risk.

Risk Management Structure

The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent functions responsible for managing and monitoring risks.

Risk Management and Compliance Committee

The Risk Management and Compliance Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

Credit Committee

The Board of Directors has delegated authority to Credit Committee to approve, sub-delegate, direct, monitor and reviews the Group's financing activities, within specified limits, and to ensure that the credit policies are adhered to, and credit operations are conducted in the most effective manner.

The Credit Committee is the highest level of executive credit approval authority in the Group and is responsible for taking credit decisions, recommending credit policies and future direction of the credit activities in the Group.

Asset Liability Committee (ALCO)

ALCO is responsible for the overall balance sheet management of the Group. ALCO set guidelines for the overall management of the liquidity and profit rate risk. ALCO also determine the borrowing and funding strategy (asset allocation) of the Group in order to maximize the profit and minimize risk.

Operational Risk Committee

The Operational Risk Committee is responsible for managing and overseeing all aspects of operational risk in the Group. The Committee is responsible for the effective implementation of all operational risk policies and standards.

Internal Audit

Risk management processes are audited by the Group Internal Audit function which examines both the adequacy and compliance with the procedures in addition to a specific audit of the Group Risk function itself as per the approved audit plan. Group Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Audit Committee.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group manages credit risk through diversification of investments, capital markets, lending and financing activities to avoid undue concentrations of credit risk with individuals or groups of customers in specific locations or businesses. It also obtains collaterals when appropriate.

Credit risk arises from all transactions that give rise to actual, contingent or potential claims against any counterparty, obligor or customer (collectively referred as "counterparties"). It is the risk that a loss will be incurred if counterparty defaults or fails to honour a financial obligation that is due. It takes into account both probability of involuntary default, wherein the counterparty does not possess the financial means to repay, and strategic default, wherein counterparty with the ability to repay deliberately defaults.

Credit risk may have the following results:
- Delay in payment obligation;
- Partial loss of the credit exposure; or
- Complete loss of the credit exposure.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Risk Committee, which is responsible for management of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, compliance with QCB regulations, other applicable legal and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Facilities exceeding a certain threshold require Board of Directors approval;
- Developing and maintaining the Group's risk grading in order to categorise exposures according to the degree of financial risk;
- Limiting geographical exposures, concentration risk based on internal and external ratings, exposure limits and QCB guidelines;
- Collateralising the exposures by adequate tangible and intangible collaterals. The types of collaterals obtained include cash, mortgages over real estate properties, pledges over shares and personal/corporate guarantees, as appropriate; and
- Reviewing business units compliance of agreed exposure limits, including those for selected industries, country risk and product types. Regular review of the credit quality of Group's portfolios is performed and appropriate corrective actions are taken when required.

The Group has implemented Moody's Risk Analyst Rating System, in order to effectively monitor credit risk on the Group's portfolio and align capital adequacy to such risks. The system is globally proven and enables the Group to rate credit risk on a more objective basis.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(i) Credit risk measurement

Group regularly analyze the quality of the overall credit portfolio with particular focus on the problem credits and the remedial management process.

This include:

- Transaction level review
- Portfolio based review
- Exception based review.

Credit risk and credit administration units are responsible to ensure that all financing activity is undertaken within the approved framework and any deviations are promptly detected, reported and followed up for remedial action.

Credit portfolio management

Objective and responsibility

Portfolio management is an integral part of the credit process that enables the Group to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. It does so by incorporating portfolio strategy and planning, performance assessment and reporting functions into one comprehensive management process.

Group is responsible for carrying out the activities in relation to credit risk portfolio management by seeking information from different business units on a regular basis to perform this function. The portfolio analyst undertakes the review, monitoring and control of limits structures based on the portfolio diversification parameters. Further, it prepares portfolio studies and periodic sector/ regional exposure information for management review.

Portfolio diversification

The Bank takes into consideration the following parameters to assess the diversification of the credit portfolio across:

- Group exposure limits
- Industry/ sector exposure limits
- Country exposure limits
- Product exposure limits
- Exposure to a particular credit risk mitigant

Stress testing of credit portfolio

The Group follows a rigorous and forward looking stress testing procedure (in line with pillar 2 requirements of Basel II Accord) that identifies possible events or changes in market conditions (or risk factors) that could adversely impact the Group. This requires foreseeing situations under hypothetical scenarios considering the question 'what-if' and development of stress tests in such scenarios. This enables the Group to be well equipped to cope with the crisis situations when they arise. Risk function has the responsibility of conducting periodic stress testing of the credit portfolio.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)
(i) Credit risk measurement (continued)

The stress-testing program of the Group involves the following steps:

- Capturing reliable data (accuracy and timeliness)
- Identification of risk factors that have an impact on the portfolio value. The different categories of risk factors used by the Group are:
  a. Obligor rating
  b. Environment (industry, economic, political, real estate prices, etc.)
  c. Model (assumptions, holding period, etc.)
  d. Analytics (correlation, transition matrices, etc.)
- Construction of stress tests on the basis of single factor or multi-factor scenarios
- Deciding magnitude of factor shock
- Running stress tests
- Reporting results of stress tests
- Assessing the impact of abovementioned results on capital adequacy of the Group
- Reassessing the relevance of stress tests on yearly basis.

Credit risk management information system (MIS)

Information on all elements of the Group's risk asset portfolio, and most particularly on irregular accounts and on those displaying characteristics of deterioration, are readily available with the concerned staff. Reports are thoroughly scrutinized and, where indicated, triggers appropriate response from the department concerned.

(ii) Risk limit control and mitigation policies

The Group has processes in place for mitigating credit risk which mainly include processes for credit Initiation, credit standards, collateral management and large exposure management.

Collateral

The Group secures credit exposures through a variety of collaterals including cash margins, lien on fixed deposits, real estate and marketable securities. Independent valuation of real estate collaterals are obtained periodically to determine collateral coverage. The value of marketable securties is constantly monitored to determine whether any replenishments /disposals are required.

Financing limits (for risk management instrument and financing books)

The Group has defined limits by counterparty, borrowing group, country, Board of Directors, subsidiaries and affliates. Exposures against these limits are monitored and any breach is reported to the Board thrugh Risk Management and Compliance Committee.

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)
(iii) Maximum exposure to credit risk before collateral held or other credit enhancements

	2013	2012
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Balances with Qatar Central Bank	**960,464**	783,865
Due from banks	**3,840,100**	1,026,391
Financing assets	**19,347,121**	15,331,735
Investment securities – debt type	**6,840,595**	5,785,168
Other assets	**364,124**	216,339
	31,352,404	23,143,498
Other credit risk exposures are as follows:		
Guarantees	**4,687,802**	4,129,457
Letters of credit	**1,243,303**	1,373,180
Unutilised credit facilities	**7,583,576**	5,173,918
	13,514,681	10,676,555

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. Letter of credit and guarantees are net of cash margins.

(iv) Concentration of risks of financial assets with credit risk exposure
Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

2013

	Qatar	**Other GCC**	**Europe**	**Others**	**Total**
Assets recorded on the consolidated statement of financial position:					
Balances with Qatar Central Bank	**960,464**	**-**	**-**	**-**	**960,464**
Due from banks	**73,940**	**1,995,630**	**580,856**	**1,189,674**	**3,840,100**
Financing assets	**15,206,199**	**3,246,574**	**45,210**	**849,138**	**19,347,121**
Investment securities – debt type	**6,123,106**	**637,376**	**14,566**	**65,547**	**6,840,595**
Other assets	**341,059**	**22,287**	**415**	**363**	**364,124**
	22,704,768	**5,901,867**	**641,047**	**2,104,722**	**31,352,404**

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(iv) Concentration of risks of financial assets with credit risk exposure (continued)
Geographical sectors (continued)

2012

Assets recorded on the consolidated statement of financial position:	Qatar	Other GCC	Europe	Others	Total
Balances with Qatar Central Bank	783,865	-	-	-	783,865
Due from banks	582,895	8,091	29,412	405,993	1,026,391
Financing assets	12,860,778	1,946,436	71,587	452,934	15,331,735
Investment securities – debt type	5,018,533	639,183	25,491	101,961	5,785,168
Other assets	207,292	8,976	71	-	216,339
	19,453,363	2,602,686	126,561	960,888	23,143,498

2013

	Qatar	**Other GCC**	**Europe**	**Others**	**Total**
Guarantees	**4,376,701**	**79,368**	**15,805**	**215,928**	**4,687,802**
Letters of credit	**1,103,335**	**15,725**	**-**	**124,243**	**1,243,303**
Unutilised credit facilities	**7,399,159**	**24,260**	**-**	**160,157**	**7,583,576**
	12,879,195	**119,353**	**15,805**	**500,328**	**13,514,681**

2012

	Qatar	Other GCC	Europe	Others	Total
Guarantees	3,850,082	21,948	21,511	235,916	4,129,457
Letter of credit	1,316,971	32,487	-	23,722	1,373,180
Unutilised credit facilities	4,671,159	34,921	1,500	466,338	5,173,918
	9,838,212	89,356	23,011	725,976	10,676,555

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

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

Industry sectors

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

	Gross exposure 2013	Gross exposure 2012
Funded and unfunded		
Government	**9,858,621**	6,530,718
Industry and Manufacturing	**1,419,041**	1,942,256
Commercial	**4,084,913**	4,064,270
Financial services	**7,210,501**	5,103,933
Contracting	**8,017,096**	6,648,200
Real estate	**5,482,089**	4,160,546
Personal	**2,972,925**	2,535,941
Services and others	**5,821,899**	2,834,189
	44,867,085	33,820,053

Credit risk exposure

The tables below presents an analysis of financial assets by rating agency designation, based on Standard & Poor's ratings (or their equivalent):

	2013	2012
Equivalent grades		
AAA to AA-	**10,294,586**	6,455,983
A+ to A-	**2,376,539**	692,176
BBB+ to BBB-	**1,236,207**	1,280,456
BB+ to B-	**993,018**	472,491
Unrated	**29,966,735**	24,918,947
	44,867,085	33,820,053

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)
(v) Credit quality

	Financing assets		Due from banks		Investment securities – debt type	
	2013	2012	**2013**	2012	**2013**	2012
Neither past due nor impaired:						
Investment grade	**13,127,168**	11,946,403	**3,840,100**	1,026,391	**6,840,595**	5,785,168
Standard monitoring	**2,775,859**	1,325,430	**-**	-	**-**	-
Special monitoring	**329,511**	-	**-**	-	**-**	-
Carrying amount	**16,232,538**	13,271,833	**3,840,100**	1,026,391	**6,840,595**	5,785,168
Past due but not impaired:						
Investment grade	**1,656,225**	388,600	**-**	-	**-**	-
Standard monitoring	**672,140**	1,070,579	**-**	-	**-**	-
Special monitoring	**763,314**	517,651	**-**	-	**-**	-
Carrying amount	**3,091,679**	1,976,830	**-**	-	**-**	-
Impaired:						
Substandard	**52,427**	163,231	**-**	-	**-**	-
Doubtful	**35,842**	43,370	**-**	-	**-**	-
Loss	**245,581**	174,978	**-**	-	**-**	-
	333,850	381,579	**-**	-	**-**	-
Less: impairment allowance-specific	**(309,696)**	(298,507)	**-**	-	**-**	-
Less: impairment allowance-collective	**(1,250)**	-	**-**	-	**-**	-
	22,904	83,072	**-**	-	**-**	-
Carrying amount – net	**19,347,121**	15,331,735	**3,840,100**	1,026,391	**6,840,595**	5,785,168

Impaired financing assets

Individually impaired financing assets including 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 agreement(s).

Financing assets past due but not impaired

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

	2013	2012
Upto 30 days	**2,829,201**	1,362,802
31 to 60 days	**77,959**	185,951
61 – 90 days	**184,519**	428,077
	3,091,679	1,976,830

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(v) Credit quality (continued)

Renegotiated financing assets

Restructuring activities include extended payment arrangements, approved external management plans, 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. As at 31 December 2013, QAR 231.3 million (31 December 2012: QAR 119.9 million) of deals were restructured.

(vi) 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 or legal mortgages against the past dues financing assets.

The aggregate fair value of collateral is QAR 14,929.1 million (2012: QAR 11,157.4 million). For 0 day past due QAR 12,705.9 million (2012: QAR 10,720.7 million), past due up to 30 days: QAR 2,141.6 million (2012: QAR 165.9 million), past due from 31 to 60 days:QAR 10.7 million (2012: QAR 1.3 million), past due from 61 and 90 days: QAR 6.7 million (2012: QAR 265.3 million) and past due from 91 and above days: QAR 64.2 million (2012: QAR 4.2 million) respectiverly.

(vii) Write-off policy

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

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 0.3 million (2012: QAR 2.1 million).

(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.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible that it has sufficient liquidity to meet liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk of damage to the Group's reputation.

The primary objective of liquidity risk management over which the Asset and Liability Committee (ALCO) has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behavior or abnormal market conditions. The ALCO emphasizes the maximization and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. A contingency plan is also in place which is reviewed periodically.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. Liquidity policies and procedures are subject to review and approval of the Board of Directors and ALCO. A summary report, including any exceptions and remedial action taken, is submitted regularly to the Board of Directors and ALCO.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, other borrowings and commitments maturing within the next month. The Group ratio of liquid assets to customer deposits at the reporting date was 39% (2012: 38%).

A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB. As at 31 December 2013, liquidity ratio as per QCB prescribed method was 117% (31 December 2012: 103%). The mimimum liquidity ratio determined by the QCB is 100%.

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Maturity analysis

Maturity analysis of Group's financial assets and liabilities are prepared on the basis of their contractual maturities. The contractual maturities have been determined on the basis of the remaining period at the statement of financial postion and do not take into account effective maturities as indicated by the Group's deposit retention history.

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2013						
Balances with Qatar Central Bank	960,464	98,300	-	-	-	862,164
Due from banks	3,840,100	2,653,834	-	802,777	383,489	-
Financing assets	19,347,121	341,912	774,572	3,091,155	8,218,868	6,920,614
Investment securities – debt type	6,840,595	2,500,000	-	366,449	3,032,334	941,812
Other assets	364,124	214,807	98,693	50,624	-	-
Total financial assets	31,352,404	5,808,853	873,265	4,311,005	11,634,691	8,724,590
Due to banks	5,820,178	3,840,051	844,828	473,011	297,406	364,882
Current accounts	1,652,902	1,652,902	-	-	-	-
Other liabilities	509,666	136,029	150,819	190,343	32,475	-
Total financial liabilities	7,982,746	5,628,982	995,647	663,354	329,881	364,882
Equiy of investment account holders	19,577,439	14,792,921	2,832,367	1,757,957	194,194	-
Total	27,560,185	20,421,903	3,828,014	2,421,311	524,075	364,882
Difference	3,792,219	(14,613,050)	(2,954,749)	1,889,694	11,110,616	8,359,708

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
2012						
Balances with central banks	783,865	73,567	-	-	-	710,298
Due from banks	1,026,391	643,626	18,218	-	364,547	-
Financing assets	15,331,735	414,047	2,482,986	2,020,415	5,218,685	5,195,602
Investment securities – debt type	5,785,168	-	-	397,175	3,259,303	2,128,690
Other assets	216,339	154,622	42,463	19,254	-	-
Total financial assets	23,143,498	1,285,862	2,543,667	2,436,844	8,842,535	8,034,590
Due to banks	4,733,303	2,193,873	-	2,198,705	119,727	220,998
Current accounts	782,234	782,234	-	-	-	-
Other liabilities	270,432	45,580	86,095	60,607	51,227	26,923
Total financial liabilites	5,785,969	3,021,687	86,095	2,259,312	170,954	247,921
Equiy of investment account holders	14,063,097	1,224,773	8,772,839	4,065,485	-	-
Total	19,849,066	4,246,460	8,858,934	6,324,797	170,954	247,921
Difference	3,294,432	(2,960,598)	(6,315,267)	(3,887,953)	8,671,581	7,786,669

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iv) Maturity analysis (Financial liabilities and risk management instruments)

2013	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	5,820,178	5,821,385	3,841,258	844,828	473,011	297,406	364,882
Current accounts	1,652,902	1,652,902	1,652,902	-	-	-	-
Other liabilities	509,666	509,666	136,029	150,819	190,343	32,475	-
Total liabilities	7,982,746	7,983,953	5,630,189	995,647	663,354	329,881	364,882
Equity of investment account holders	19,577,439	19,577,439	14,792,921	2,832,367	1,757,957	194,194	-
Risk management instruments							
Risk Management:	7,335						
Outflow		(12,625)	(2,588)	(2,598)	(1,738)	(5,701)	-
Inflow		30,566	7,766	48	134	122	22,496
	27,567,520	27,579,333	20,428,288	3,825,464	2,419,707	518,496	387,378

2012	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	4,733,303	4,735,957	2,196,527	-	2,198,705	119,727	220,998
Current accounts	782,234	782,234	782,234	-	-	-	-
Other liabilities	270,432	270,432	45,580	86,095	60,607	51,227	26,923
Total liabilities	5,785,969	5,788,623	3,024,341	86,095	2,259,312	170,954	247,921
Equity of investment account holders	14,063,097	14,063,097	1,224,773	8,772,839	4,065,485	-	-
Risk management instruments							
Risk Management	7,577						
Outflow		(15,487)	-	(1,627)	(3,803)	(10,057)	-
Inflow		7,873	-	453	1,314	6,106	-
	19,856,643	19,844,106	4,249,114	8,857,760	6,322,308	167,003	247,921

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 Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the profit rate management of the entity'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 is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Board of Directors has set risk limits based on different factors including country wise exposure limits. These limits are closely monitored by senior management and reviewed by ALCO on a regular basis.

(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). A fully integrated VaR computation system is used by the Group to calculate VaR through historical simulation, analytical and Monte Carlo approaches. Which is based upon a 99 percent confidence level assuming a 1-day, 10-day and 30-day holding periods. Taking account of market data from the previous one year, and observed relationships between different markets and prices, the model generates a wide range of plausible future scenarios for market price movements. Market Risk limits are set and monitored by the Market Risk Management function endorsed by BOD. 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 are reviewed by ALCO and approval by the Board of Directors. VaR limits are allocated to trading portfolios

The Group recently has build its trading portfolio, which is insignificant in size, consist mainly of Equities. However, the Group has established policies for VaR measurement to overlook the trends for market risk management. 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.

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(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 central Treasury in its day-to-day monitoring activities.

The Islamic Financial Services Board ("IFSB") has issued a document on Risk Management guidelines for Institutions (other than Insurance Institutions) offering only Islamic Financial Service ("IIFS"). This includes sections on 'Rate of Return Risk' and 'Liquidity Risk'. The Group adheres to the guidelines on 'Rate of Return Risk' and 'Liquidity Risk'.

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

		Repricing in:					
	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-profit rate sensitive	Effective profit rate
2013							
Cash and balances with Qatar Central Bank	960,464	-	-	-	-	960,464	0%
Due from banks	3,840,100	-	1,186,266	-	-	2,653,834	0.3%-0.7%
Financing assets	19,347,121	6,788,590	126,729	2,595,357	2,590,281	7,246,164	4.6%-5.0%
Investment securities-debt type	6,840,595	-	121,990	-	-	6,718,605	4.3%-4.7%
	30,988,280	6,788,590	1,434,985	2,595,357	2,590,281	17,579,067	
Due to banks	5,820,178	603,973	101,629	-	-	5,114,576	0.9%-1.3%
Equity of investment account holders	19,577,439	12,607,240	6,970,199	-	-	-	1.4%-1.8%
Consolidated statement of financial position items - Profit rate sensitivity gap	5,590,663	(6,422,623)	(5,636,843)	2,595,357	2,590,281	12,464,491	
Off consolidated statement of financial position items	7,583,576	634,435	98,748	2,479,773	1,431,538	2,939,082	4.6%-5.0%
Cumulative profit rate sensitivity gap	13,174,239	(5,788,188)	(5,538,095)	5,075,130	4,021,819	15,403,573	

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

		Repricing in:					
	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-profit rate sensitive	Effective profit rate
2012							
Cash and balances with central banks	853,747	-	-	-	-	853,747	0%
Due from banks	1,026,391	19,804	-	-	-	1,006,587	0.5%-0.8%
Financing assets	15,331,735	1,251,341	191,228	3,443,456	2,499,018	7,946,692	5.1%-5.5%
Investment securities-debt type	5,785,168	-	-	127,453	-	5,657,715	5.0%-5.4%
	22,997,041	1,271,145	191,228	3,570,909	2,499,018	15,464,741	
Due to banks	4,733,303	-	-	-	-	4,733,303	1.3%-1.6%
Equity of investment account holders	14,063,097	4,371,920	9,691,177	-	-	-	1.8%-2.1%
Consolidated statement of financial position items - profit rate sensitivity gap	4,200,641	(3,100,775)	(9,499,949)	3,570,909	2,499,018	10,731,438	
Off consolidated statement of financial position items	5,173,918	885,271	783,050	1,033,989	333,443	2,138,165	5.1%-5.5%
Cumulative profit rate sensitivity gap	9,374,559	(2,215,504)	(8,716,899)	4,604,898	2,832,461	12,869,603	

Sensitivity analysis

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

Sensitivity of net profit	100 bp parallel increase	100 bp parallel decrease
2013		
At 31 December	**50,389**	**(50,389)**
Average for the year	**59,362**	**(59,362)**
2012		
At 31 December	34,522	(34,522)
Average for the year	37,901	(37,901)

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Profit rate movements affect reported equity in the following way:

- retained earnings arising from increases or decreases in net profit and the fair value changes reported in consolidated income statement.

Overall non-trading profit rate risk positions are managed by Group Central 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 instrument is to manage profit rate risk.

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

Foreign currency transactions

Foreign exchange risks arise from the movement of the rate of exchange over a period of time. Positions are monitored on a regular basis to ensure positions are maintained within approved limits established by the Board of Directors.

As at the reporting date the net foreign currency exposures, other than USD which is pegged to the Qatari Riyal, and their respective sensitivities to a 500 bps change was as follows:

Functional currency of Group entities

	2013	2012
Net foreign currency exposure:		
Pounds Sterling	**49,130**	57,088
Euro	**106**	13
Other currencies	**87,060**	44,815

5% increase / (decrease) in currency exchange rate	**Increase / (decrease) in profit**		**Increase / (decrease) in equity**	
	2013	2012	**2013**	2012
Pound Sterling	**2,457**	2,854	**2,457**	2,854
Euro	**5**	1	**5**	1
Other currencies	**4,353**	2,241	**4,353**	2,241

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (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:

	2013	2012
5% increase / (decrease) in QE 30 and other index		
Increase / (decrease) in profit and loss	**4,598**	9,065
Increase / (decrease) in equity	**44,681**	43,359

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.

The primary responsibility for the development and implementation of controls to address operatio nal 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.

As at and for the year ended 31 December 2013 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks (continued)

The strategy and framework for operational risk management is set by the Operational Risk Committee (ORC) and is implemented consistently across the Group. While the management of operational risk is the primary responsibility of each function or service responsible, the implementation of an integrated Operational Risk Management Framework is coordinated by a dedicated and independent team led by an Operational Risk Manager (ORM). This team reports to the Chief Risk Officer (CRO) of the Group. Each business unit has nominated a "Unit Operational Risk Manager (UORM)" who acts as a single point of contact for ORM regarding all Operational Risks for the respective business unit.

The organization has also invested in a state-of-the-art Operational Risk System to create a repository for all Operational risk incidents, losses and near-miss events. There is a robust process for reporting of issues, conducting of root cause analysis (where applicable) and rolling out mitigation plans to avoid recurrence of the issues.

(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 owners' 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 period.

The capital adequacy ratio of the Group is calculated in accordance with the Basel Committee guidelines as adopted by the QCB.

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

	2013	2012
Tier 1 capital	**4,487,934**	4,115,271
Tier 2 capital	**336,958**	260,621
Total regulatory capital	**4,824,892**	4,375,892

Tier 1 capital includes share capital, legal reserve, retained earnings and other reserves netted from treasury shares and goodwill.

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

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management (Continued)
Regulatory capital (continued)
Risk weighted assets and carrying amounts

	2013 Basel II Risk weighted amount	2012 Basel II Risk weighted amount	**2013 Carrying amount**	2012 Carrying amount
Balances with Qatar Central Bank	**-**	-	**960,464**	783,865
Due to banks	**2,099,959**	520,435	**3,840,100**	1,026,391
Financing assets	**15,096,304**	12,953,055	**19,347,121**	15,331,735
Investment securities	**1,289,468**	760,104	**7,232,725**	6,211,106
Investment in associates and joint ventures	**383,372**	291,644	**255,581**	194,429
Other assets	**583,829**	423,950	**712,159**	493,832
Off balance sheet assets	**3,809,572**	3,070,899	**13,514,681**	10,736,730
Total risk weighted assets for credit risk	**23,262,504**	18,020,087	**45,862,831**	34,778,088
Risk weighted assets for market risk	**1,139,288**	743,406	**501,496**	441,233
Risk weighted assets for operational risk	**1,635,678**	1,122,511	**-**	-
	2,774,966	1,865,917	**501,496**	441,233

	2013	2012
Risk weighted assets	**26,037,470**	19,886,004
Regulatory capital	**4,824,892**	4,375,892
Risk weighted assets as a percentage of regulatory capital (capital ratio)	**18.5%**	22.0%

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

5. USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Allowances 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.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing and investment securities measured at amortised cost with similar credit risk characteristics when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective allowances, management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(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.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models 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, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(ii) Financial asset and liability classification

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

In thousands	Level 1	Level 2	Level 3	Total
2013				
Risk management instruments (assets)	**-**	**-**	**15,216**	**15,216**
Investment securities carried at fair value	**179,123**	**322,373**	**392,130**	**893,626**
	179,123	**322,373**	**407,346**	**908,842**
Risk management instruments (liabilities)	**-**	**-**	**7,881**	**7,881**
	-	**-**	**7,881**	**7,881**
2012				
Risk management instruments (assets)	-	-	7,903	7,903
Investment securities carried at fiar value	132,610	308,623	425,938	867,171
	132,610	308,623	433,841	875,074
Risk management instruments (liabilities)	-	-	7,577	7,577
	-	-	7,577	7,577

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- in classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- in designating financial assets or liabilities at fair value through income statement, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.

For the purpose of disclosure of fair value of financial assets and liabilities which are carried at amortised cost, the level 2 valuation method has been used except for the impaired financing assets for which level 3 valuation method has been used. Details of the Group's classification of financial assets and liabilities are given in note 7.

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(iii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies note.

(iv) 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.

(v) 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.

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 Group Management Committee reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments.

Corporate Banking	Includes financings, deposits and other transactions and balances with corporate customers
Retail Banking	Includes financings, deposits and other transactions and balances with retail customers
Treasury and Investments division	Undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of risk management instrument s for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities. Further also manages Group's trading of investments and corporate finance activities.
Investment Banking and Asset Management	Operates the Group's funds management activities. Mainly includes financial advisory services, including deal sourcing, structuring, valuations and advisory services, equity structuring, restructuring and placement; debt structuring, restructuring and placement including project finance, securitisation and sukuk; client portfolios management, structuring of liquidity products; structuring and marketing and management of open and closed ended funds; structuring, acquisition, placement and initial public offering of private equities; and private equity, equity structuring, private placements and initial public offerings.

As at and for the year ended 31 December 2013 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Group Management Committee. 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.

Information about operating segments

2013	Corporate banking	Retail banking	Treasury and Investments division	Investment banking and Asset management	Unallocated	Total
Total income from financing and investing activities	683,758	174,390	391,709	2,347	-	**1,252,204**
Net fee and commission income	77,425	7,318	71	51,225	-	**136,039**
Foreign exchange gain	-	-	11,025	-	-	**11,025**
Other income	5,562	2,997	432	2,408	-	**11,399**
Share of results of associates and joint ventures	-	-	-	10,528	-	**10,528**
Total segment revenue	**766,745**	**184,705**	**403,237**	**66,508**	**-**	**1,421,195**
Other material non-cash items:						
Net impairment loss on investment securities	-	-	(6,381)	(2,300)	-	**(8,681)**
Net impairment loss on financing assets	(78,873)	2,867	-	-	-	**(76,006)**
Reportable segment net profit	**297,163**	**44,990**	**225,239**	**18,355**	**(81,858)**	**503,889**
Reportable segment assets	**18,448,187**	**2,761,715**	**11,133,267**	**506,477**	**777,230**	**33,626,876**
Reportable segment liabilities	**20,401,516**	**1,990,466**	**5,840,019**	**21,685**	**-**	**27,893,686**

As at and for the year ended 31 December 2013 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

2012	Corporate banking	Retail banking	Treasury and Investments division	Investment banking nad Asset management	Unallocated	Total
Total income from financing and investing activities	552,805	163,828	286,497	314	-	1,003,444
Net fee and commission income	68,619	2,883	(126)	48,654	-	120,030
Foreign exchange gain	-	-	15,295	-	-	15,295
Other income	-	-	3,072	1,030	5,754	9,856
Share of results of associates and joint ventures	-	-	1,500	24,000	-	25,500
Total segment revenue	621,424	166,711	306,238	73,998	5,754	1,174,125
Other material non-cash items:						
Net impairment loss on investment securities	-	-	(6,489)	(46,134)	-	(52,623)
Net impairment loss on financing assets	(86,975)	11,501	-	-	-	(75,474)
Reportable segment profit	220,735	43,776	154,281	(16,282)	(57,290)	345,220
Reportable segment assets	12,952,753	2,585,845	8,487,234	456,759	777,230	25,259,821
Reportable segment liabilities	14,105,917	1,073,273	4,837,440	21,547	-	20,038,177

As at and for the year ended 31 December 2013 QAR '000s

7. FAIR VALUE AND CLASSICIATION OF FINANCIAL INSTRUMENTS

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

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2013					
Cash and balances with Qatar Central Bank	-	-	1,088,794	1,088,794	1,088,794
Due from banks	-	-	3,840,100	3,840,100	3,840,100
Financing assets	-	-	19,347,121	19,347,121	19,347,121
Investment securities:					
- Carried at fair value	91958	801,668	-	893,626	893,626
- Carried at amortised cost /cost	-	-	6,840,595	6,840,595	6,822,789
Risk management instruments	15,216	-	-	15,216	15,216
	107,174	801,668	31,116,610	32,025,452	32,007,646
Due to banks	-	-	5,820,178	5,820,178	5,820,178
Customer current accounts	-	-	1,652,902	1,652,902	1,652,902
Risk management instruments	7,881	-	-	7,881	7,881
	7,881	-	7,473,080	7,480,961	7,480,961
Equity of investment account holders	-	-	19,577,439	19,577,439	19,577,439
	7,881	-	27,050,519	27,058,400	27,058,400

As at and for the year ended 31 December 2013 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 financial assets and financial liabilities:

	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
2012					
Cash and balances with central banks	-	-	853,747	853,747	853,747
Due from banks	-	-	1,026,391	1,026,391	1,026,391
Financing assets	-	-	15,331,735	15,331,735	15,331,735
Investment securities:					
- Carried at fair value	181,290	685,881	-	867,171	867,171
- Carried at amortised cost /cost	-	-	5,785,168	5,785,168	5,817,879
Risk management instruments	7,903	-	-	7,903	7,903
	189,193	685,881	22,997,041	23,872,115	23,904,826
Due to banks	-	-	4,733,303	4,733,303	4,733,303
Customer current accounts	-	-	782,234	782,234	782,234
Risk management instruments	7,577	-	-	7,577	7,577
	7,577	-	5,515,537	5,523,114	5,523,114
Unrestricted investment accounts	-	-	14,063,097	14,063,097	14,063,097
	7,577	-	19,578,634	19,586,211	19,586,211

As at and for the year ended 31 December 2013 QAR '000s

8. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2013	2012
Cash	**128,330**	69,882
Cash reserve with QCB*	**862,164**	710,298
Other balances with QCB	**98,300**	73,567
	1,088,794	853,747

*The cash reserve with QCB is not available for use in the Group's day to day operations.

9. DUE FROM BANKS

	2013	2012
Current accounts	**302,193**	56,520
Wakala placements with banks	**1,768,168**	545,831
Mudaraba placements	**583,472**	30,309
Commodity Murabaha receivable	**1,186,267**	393,731
	3,840,100	1,026,391

10. FINANCING ASSETS
(a) By type

	2013	2012
Murabaha	**4,051,416**	3,120,344
Murabaha commodity	**11,493,981**	10,104,536
Musawama	**1,879,191**	1,375,739
Istisna'a	**858,520**	618,739
Ijarah Muntahia Bittamleek	**2,349,655**	1,409,736
Tawarruk	**85,712**	154,612
Cards	**24,785**	15,681
Others	**8,400**	9,437
Total financing assets	**20,751,660**	16,808,824
Less: Deferred profit	**1,041,414**	1,178,582
Provision for impairment on financing assets – Specific	**309,696**	235,282
Provision for impairment on financing assets – Collective	**1,250**	-
Suspended profit related to non-performing financing assets	**52,179**	63,225
Net financing assets (see note 1 below)	**19,347,121**	15,331,735

The total non-performing financing assets at 31 December 2013 amounted to QAR 410 million, representing 2.0% of the gross financing assets (2012: 415 million, representing 2.5%).

As at and for the year ended 31 December 2013 QAR '000s

10. FINANCING ASSETS (continued)

(a) By type (continued)

	2013	2012
Government	**1,656,768**	118,166
Non-Banking Financial Institutions	**2,203,782**	2,325,132
Corporate	**13,457,540**	11,222,196
Retail	**3,433,570**	3,143,330
	20,751,660	16,808,824
Less: Deferred profit	**1,041,414**	1,178,582
Provision for impairment on financing assets – Specific	**309,696**	235,282
Provision for impairment on financing assets – Collective	**1,250**	-
Suspended profit related to non- performing financing assets	**52,179**	63,225
	19,347,121	15,331,735

(b) Movement in the provision for impairment on financing assets:

	2013	2012
Balance at 1 January	**235,282**	161,904
Provisions made during the year – Specific	**123,561**	117,799
Provisions made during the year – Collective	**1,250**	-
Recoveries during the year	**(48,805)**	(42,325)
	76,006	75,474
Written off during the year	**(342)**	(2,096)
Balance at 31 December	**310,946**	235,282
Break down as below:		
Provision for impairment on financing assets – Specific	**309,696**	235,282
Provision for impairment on financing assets – Collective	**1,250**	-

(c) Movement in the suspended profit on non performing financing assets:

	2013	2012
Balance at 1 January	**63,225**	70,658
Additions during the year	**10,779**	9,797
Recoveries during the year	**(21,825)**	(15,275)
	(11,046)	(5,478)
Written off during the year	**-**	(1,955)
Balance at 31 December	**52,179**	63,225

As at and for the year ended 31 December 2013 QAR '000s

10. FINANCING ASSETS (continued)

(d) Movement in the provision for impairment and suspended profit on financing assets- sector wise:

	Corporates	SMEs	Retail	Total
Balance at 1 January	82,806	63,179	152,522	**298,507**
Provision made during the year	67,554	45,581	22,455	**135,590**
Recoveries during the year	(9,554)	(8,070)	(53,006)	**(70,630)**
Written off during the year	-	-	(342)	**(342)**
Balance at 31 December 2013	**140,806**	**100,690**	**121,629**	**363,125**
Balance at 1 January	47,519	11,755	173,288	232,562
Provision made during the year	43,504	56,637	27,455	127,596
Recoveries during the year	(8,217)	(5,213)	(44,170)	(57,600)
Written off during the year	-	-	(4,051)	(4,051)
Balance at 31 December 2012	82,806	63,179	152,522	298,507

(e) By sector

	2013	2012
Government	**1,656,768**	118,166
Industry and Manufacturing	**1,133,285**	1,073,434
Commercial	**2,021,673**	2,989,430
Financial institutions	**2,203,782**	2,325,132
Contracting	**1,185,104**	1,053,875
Real estate	**4,571,961**	4,551,076
Personal	**3,313,138**	2,972,017
Services	**4,288,379**	1,357,625
Others	**377,570**	368,069
Total financing assets	**20,751,660**	16,808,824
Less: Deferred profit	**1,041,414**	1,178,582
Provision for impairment on financing assets – Specific	**309,696**	235,282
Provision for impairment on financing assets – Collective	**1,250**	-
Suspended profit related to non performing financing assets	**52,179**	63,225
Net financing assets	**19,347,121**	15,331,735

The sector wise breakup include financing to Government sector entities and corporates amounting to QAR 2,801 million (31 December 2012: 1,438 million).

As at and for the year ended 31 December 2013 QAR '000s

11. INVESTMENT SECURITIES

	2013			2012		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
- Investments classified as held for trading:						
• equity-type investments	**91,958**	**-**	**91,958**	41,165	-	41,165
• debt-type investments – Fixed rate	**-**	**-**	**-**	140,125	-	140,125
	91,958	**-**	**91,958**	181,290	-	181,290
Debt-type investments classified at amortised cost						
- Fixed rate*	**1,950,405**	**4,768,200**	**6,718,605**	1,510,540	4,147,175	5,657,715
- Floating rate	**121,990**	**-**	**121,990**	127,453	-	127,453
	2,072,395	**4,768,200**	**6,840,595**	1,637,993	4,147,175	5,785,168
Equity-type investments classified as fair value through equity	**409,538**	**392,130**	**801,668**	259,943	425,938	685,881
	2,573,891	**5,160,330**	**7,734,221**	2,079,226	4,573,113	6,652,339

* Investments in unquoted debt-type instruments classified at amortised cost represent investments in the State of Qatar and Qatar Central Bank debt securities.

The carrying amount of the debt-type investments pledged under repurchase agreements amounted to QAR 1,454 million (2012: QAR 2,694 million).

The cumulative change in fair value of equity-type investments designated as fair value through equity, during the year is as follows:

	2013	2012
Balance at 1 January	**26,928**	19,573
Net change in fair value	**(15,421)**	(42,909)
Share of associates fair value changes	**-**	1,234
Transferred to consolidated income statement on impairment	**8,681**	52,623
	(6,740)	10,948
Appropriated to unrestricted investment account holders (note 20)	**3,662**	(3,593)
Net change in fair value reserve during the year	**(3,078)**	7,355
Balance at 31 December	**23,850**	26,928

As at 31 December 2013, the cumulative positive and negative balances in the fair value reserve are QAR 35.5 (31 December 2012: QAR 31.1 million) and QAR 11.6 million (31 December 2012: QAR 0.6 million). During the year, QAR 8.7 million (2012: QAR 52.6 million) was transferred to income statement from negative fair value reserve.

As at and for the year ended 31 December 2013 QAR '000s

12. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	2013	2012
Balance at 1 January	**194,429**	167,387
Investments acquired during the year	**63,549**	-
Share of results	**10,528**	25,500
Cash dividend	**(14,915)**	-
Share of associates fair value changes	**-**	1,234
Share of associates currency translation reserve	**1,682**	-
Other movements	**308**	308
Balance at 31 December	**255,581**	194,429

Name of the Associates and Joint Ventures	Activities	Country	Ownership %		Amount in QAR'000	
			2013	2012	**2013**	2012
Emdad Equipment Leasing Company Qatar W.L.L. (Emdad)	Machinery and equipment leasing	Qatar	**39.24%**	**39.24%**	**33,500**	**33,500**
TFI-Investra UK Property Income Fund	Real estate	UK	**35.8%**	**-**	**28,853**	**-**
TFI-Tanween Investment Company	Real estate	Qatar	**36.0%**	**-**	**10,869**	**-**
Junam Village	Real estate	Saudi Arabia	**27.7%**	**-**	**24,789**	**-**
Tanween W.L.L. (Tanween)	Real Estate development management	Qatar	**48.0%**	**48.0%**	**157,390**	**160,749**
Beaucraft	Shipping	Qatar	**37.5%**	**37.5%**	**180**	**180**
Total					**255,581**	**194,429**

The financial position, revenue and results of significant associates based on latest financial statements, as at and for the year ended 31 December 2013 are as follows:

31 December 2013	**Emdad**	**Tanween**
Total assets	**98,511**	**352,064**
Total liabilities	**18,406**	**43,957**
Total revenue	**37,903**	**90,564**
Net profit	**-**	**21,876**
Share of profit	**-**	**10,733**

31 December 2012		
Total assets	103,875	358,987
Total liabilities	23,770	43,755
Total revenue	42,217	155,834
Net profit	3,825	50,000
Share of profit	1,500	24,000

During the year, the Group has entered into three separate joint venture agreements namely TFI-Investra UK Property Income Fund ("TIUK") with Investra Investments L.L.C., TFI-Tanween Investment Company ("TTIC") with Tanween W.L.L and Juman Village with Investate Arabia and Rawahal Trading. All entities have a mandate to invest in real estate properties. During the year, QAR 0.2 million share of loss was recorded on these joint ventures.

As at and for the year ended 31 December 2013 QAR '000s

13. INVESTMENT PROPERTY

	2013	2012
Balance at 1 January	**39,824**	48,252
Disposal	**-**	(8,428)
Addition	**218**	-
Balance at 31 December	**40,042**	39,824

14. FIXED ASSETS

	Land and Buildings	IT Equipment	Fixtures, Fittings and office equipment	Motor Vehicles	Total
Cost					
Balance at 1 January 2012	146,530	29,299	42,582	14,891	233,302
Acquisitions	-	2,574	9,319	212	12,105
Disposals	-	(532)	(428)	(632)	(1,592)
Balance at 31 December 2012	146,530	31,341	51,473	14,471	243,815
Balance at 1 January 2013	**146,530**	**31,341**	**51,473**	**14,471**	**243,815**
Acquisitions	**19,841**	**18,611**	**6,896**	**-**	**45,348**
Reclassification/Transfers	**(102,016)**	**37,551**	**95,558**	**(938)**	**30,155**
Disposals	**-**	**-**	**-**	**(9,218)**	**(9,218)**
Balance at 31 December 2013	**64,355**	**87,503**	**153,927**	**4,315**	**310,100**
Accumulated depreciation and impairment losses					
Balance at 1 January 2012	61,561	21,066	14,343	9,362	106,332
Depreciation charged during the year	16,060	5,517	4,896	2,468	28,941
Disposals	-	(532)	(428)	(632)	(1,592)
Balance at 31 December 2012	77,621	26,051	18,811	11,198	133,681
Balance at 1 January 2013	**77,621**	**26,051**	**18,811**	**11,198**	**133,681**
Depreciation charged during the year	**721**	**14,397**	**22,937**	**698**	**38,753**
Reclassification/Transfers	**(73,263)**	**9,392**	**75,577**	**(74)**	**11,632**
Disposals	**-**	**-**	**-**	**(8,014)**	**(8,014)**
Balance at 31 December 2013	**5,079**	**49,840**	**117,325**	**3,808**	**176,052**
Carrying amounts					
Balance at 1 January 2012	84,969	8,233	28,239	5,529	126,970
Balance at 31 December 2012	68,909	5,290	32,662	3,273	110,134
Balance at 31 December 2013	**59,276**	**37,663**	**36,602**	**507**	**134,048**

As at and for the year ended 31 December 2013 QAR '000s

15. INTANGIBLE ASSETS

	Goodwill*	Customer Contracts	Softwares	Total
Balance at 1 January 2012	777,230	24,375	8,961	810,566
Acquisitions	-	-	17,509	17,509
Amortisation for the year	-	(12,188)	(7,947)	(20,135)
Balance at 31 December 2012	777,230	12,187	18,523	807,940
Balance at 1 January 2013	**777,230**	**12,187**	**18,523**	**807,940**
Tranfer to 'IT Equipment' under Fixed Assets (note 14)	**-**	**-**	**(18,523)**	**(18,523)**
Amortisation for the year	**-**	**(12,187)**	**-**	**(12,187)**
Balance at 31 December 2013	**777,230**	**-**	**-**	**777,230**

Impairment testing for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU"), being the Group's subsidiaries, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. The impairment testing of the CGU carried out at the year-end did not result in any impairment.

16. OTHER ASSETS

	2013	2012
Accrued profit	**129,550**	107,042
Prepayments and advances	**19,461**	18,087
Operating lease receivables	**4,578**	5,598
Positive fair value of risk management instruments	**15,216**	7,903
Sundry debtors	**12,727**	58,677
Projects under process	**10,497**	8,856
Acceptances	**190,120**	-
Others	**31,350**	40,705
	413,499	246,868
Provision for impairment against operating lease receivable	**(3,760)**	(3,586)
	409,739	243,282

As at and for the year ended 31 December 2013 QAR '000s

17. DUE TO BANKS

	Note	2013	2012
Current accounts		**5**	5
Commodity Murabaha payable*		**1,415,518**	2,175,280
Wakala payable		**4,404,655**	2,558,018
		5,820,178	4,733,303

*This represents amount held under repurchase agreements.

18. CUSTOMER CURRENT ACCOUNTS

	2013	2012
Current accounts by sector:		
- Government	**5,158**	5,910
- Non-Banking Financial Institutions	**536,970**	30,453
- Corporate	**706,123**	574,069
- Individuals	**404,651**	171,802
	1,652,902	782,234

19. OTHER LIABILITIES

	Note	2013	2012
Unearned commission income		**125,825**	104,694
Due to a related party		**32,475**	51,758
Negative fair value of risk management instruments		**7,881**	7,577
Cash margins		**149,503**	60,175
Accrued expenses		**153,161**	84,417
Suppliers payable		**90,709**	56,006
Acceptances		**190,120**	-
Employees' end of service benefits	19.1	**38,753**	27,152
Others		**54,740**	67,764
		843,167	459,543

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

	2013	2012
Balance at 1 January	**27,152**	20,557
Charge for the year	**16,951**	10,428
Payments made during the year	**(5,350)**	(3,833)
Balance at 31 December	**38,753**	27,152

As at and for the year ended 31 December 2013 QAR '000s

20. EQUITY OF INVESTMENT ACCOUNT HOLDERS

	2013	2012
Investment account holders balance before share of profit (a)	**19,534,149**	14,001,469
Distributable profits to investment account holders for the year (b)	**248,244**	236,802
Profit already distributed during the year	**(204,885)**	(178,767)
Profit payable to investment account holders	**43,359**	58,035
Share in fair value reserve	**(69)**	3,593
Total investment account holders balance	**19,577,439**	14,063,097
By type:		
Saving accounts	**1,358,560**	720,083
Call accounts	**386,142**	443,062
Term accounts	**17,789,447**	12,838,324
Total (a)	**19,534,149**	14,001,469
By sector:		
Government	**7,836,845**	5,223,879
Non-banking financial institution	**1,759,968**	1,605,779
Retail	**2,132,269**	873,507
Corporate	**7,805,067**	6,298,304
Total (a)	**19,534,149**	14,001,469

	2013	2012
Investment account holders' share of profit for the year	**365,983**	283,551
Owners' contribution	**229,945**	9,961
	595,928	293,512
Bank shares as Mudarib	**(347,684)**	(56,710)
Distributable profits to investment account holders for the year - net return(b)	**248,244**	236,802
Net return breakup:		
Saving accounts	**25,345**	12,243
Call accounts	**1,375**	993
Term accounts - 1 month	**57,925**	40,008
Term accounts - 3 month	**88,706**	49,551
Term accounts - 6 month	**34,091**	93,519
Term accounts - 9 month	**283**	126
Term accounts - 12 month	**40,519**	40,362
Total(b)	**248,244**	236,802

Movement in share of fair value reserve:

	2013	2012
Balance at 1 January	**3,593**	-
Share in fair value reserve movement (note 11)	**(3,662)**	3,593
Balance at 31 December	**(69)**	3,593

21. OWNERS' EQUITY

(a) Share capital

	Ordinary shares	
In thousands of shares	**2013**	2012
In issue at -1 January	**300,000**	190,869
New shares issued	**-**	109,131
In issue at 31 December	**300,000**	300,000

At 31 December 2013 the authorised share capital comprised 400,000 thousand ordinary shares (2012: 600,000 thousand), having a par value of QAR 10 each share. Out of these 300,000 thousand ordinary shares (2012: 300,000 thousand) are issued and fully paid.

(b) Legal reserve

In accordance with QCB Law No. 33 of 2006 as amended and the Memorandum and Articles of Association of the Bank, 20% 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. During the year ended 31 December 2013 the appropriation made to legal reserve amounts to QAR 99.3 million (2012: QAR 69.0 million). The legal reserve includes the share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law No.5 of 2002.

(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 of the transfer made to the risk reserve was QAR 140.3 million (2012: QAR 176.6 million).

(d) Other reserves

In accordance with Qatar Central Bank regulations, income recognised from the share of profit from associates is not available for distribution, except to the extent of dividend received from the associates, and should be transferred to a separate reserve account in Owners' equity. Further the Bank has set aside QAR 100 million (2012: QAR Nil) as a contingency reserve from retained earnings to protect the Group from any future losses that may arise from any unforeseen events on recommendation of the Board of Directors.

	2013	2012
Opening balance	**119,542**	94,042
Share of associates profit	**10,528**	25,500
Dividend received	**(14,915)**	-
Contigency reserve	**100,000**	-
	95,613	25,500
	215,155	119,542
The balance consists of as follows:		
Group's share in undistributed profit from investments in associates	**115,155**	119,542
Contigency reserve	**100,000**	-

(e) Treasury shares

Treasury shares represent ordinary shares of Barwa Bank with nominal value of QAR 10 each. These shares are held by FFC and TFI and carried at cost of QAR 16.8 each. Treasury shares are presented as a deduction from equity.

As at and for the year ended 31 December 2013 QAR '000s

22. NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interests in TFI GCC Fund amounting to 36% (2012: 30%). During the year, non-controlling interests increased by QAR 9.05 million (2012: QAR 26.5 million) due to new subscriptions under TFI GCC Equity Opportunities Fund, a Group's subsidiary, founded by the Bank.

23. NET INCOME FROM FINANCING ACTIVITIES

	2013	2012
Murabaha	**162,740**	128,587
Musawama	**144,205**	135,185
Commodity Murabaha	**385,686**	335,323
Tawarruq	**9,050**	12,189
Ijarah	**106,287**	86,067
Istisna'a	**38,762**	19,282
	846,730	716,633

24. NET INCOME FROM INVESTING ACTIVITIES

	2013	2012
Coupon income from investment in debt-type instruments, net of amortisation	**286,506**	246,722
Dividend income	**27,022**	13,889
Net gain on sale of debt-type investments	**21,065**	13,234
Net gain on sale of equity-type investments	**34,643**	3,303
Income from inter-bank and murabaha placements with Islamic banks	**24,466**	4,608
Net fair value gain on investment securities carried as fair value through income statement	**6,331**	4,319
Other investments related income	**5,441**	736
	405,474	286,811

25. NET FEE AND COMMISSION INCOME

	2013	2012
Management fee income	**74,353**	58,544
Commission income	**42,706**	40,921
Advisory fee income	**27,250**	20,557
Performance fee income	**2,256**	8,831
Placement fee income	**69**	-
Structuring fee	**4,426**	4,258
	151,060	133,111
Commission expense	**(15,021)**	(13,081)
Net fee and commission income	**136,039**	120,030

As at and for the year ended 31 December 2013 QAR '000s

26. STAFF COSTS

	2013	2012
Basic salaries	**118,223**	99,822
Housing allowance	**39,105**	35,330
Transport allowance	**23,919**	18,049
Staff indemnity costs	**21,117**	13,592
Medical expenses	**9,842**	6,871
Social Allowance	**5,775**	5,142
Education fee	**6,609**	3,370
Others	**73,893**	34,184
	298,483	216,360

27. OTHER EXPENSES

	2013	2012
Rent	**30,486**	31,616
Advertising and marketing expenses	**29,227**	24,174
Utility and services	**28,855**	22,255
IT expenses	**22,123**	20,879
Legal and professional fees	**16,350**	13,877
Government fee and charges	**2,557**	4,390
Travel expenses	**3,107**	4,259
Repair and maintenance	**3,609**	3,549
Board of Directors' remuneration	**8,050**	4,000
Other expenses	**27,220**	13,351
	171,584	142,350

28. CONTINGENT LIABILITIES AND COMMITMENTS

	2013	2012
a) Contingent liabilities		
Unused credit facilities	**7,583,576**	5,173,918
Guarantees	**4,687,802**	4,153,015
Letters of credit	**1,243,303**	1,409,797
	13,514,681	10,736,730
b) Commitments		
Profit rate swaps	**1,803,858**	1,202,423
Other risk management instruments	**768,424**	72,072
	2,572,282	1,274,495

Unused facilities

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

Guarantees and Letters of credit

Guarantees and letters of credit commit the group to make payments on behalf of customers in the event of a specific event. Guarantees and standby letters of credit carry the same credit risk as financings.

Lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2013	2012
Within one year	**30,638**	27,485

The Group leases a number of branches and office premises under operating leases.

As at and for the year ended 31 December 2013 QAR '000s

29. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

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

2013	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with central bank	1,088,794	-	-	-	-	1,088,794
Due from banks	73,940	1,995,630	580,856	185,548	1,004,126	3,840,100
Financing assets	15,206,199	3,246,574	45,210	634,922	214,216	19,347,121
Investment securities	6,292,550	1,201,952	11,362	6,025	222,332	7,734,221
Investment in associates and joint ventures	203,621	24,789	27,171	-	-	255,581
Investment property	40,042	-	-	-	-	40,042
Intangible assets	777,230	-	-	-	-	777,230
Fixed assets	134,048	-	-	-	-	134,048
Other assets	371,458	22,287	9,369	6,262	363	409,739
Total assets	24,187,882	6,491,232	673,968	832,757	1,441,037	33,626,876

Liabilities and equity of investment account holders

Liabilities						
Placements from financial institutions	4,404,660	400,759	376,726	91,076	546,957	5,820,178
Customer current accounts	1,651,469	1,433	-	-	-	1,652,902
Other liabilities	806,897	17,806	7,052	8,242	3,170	843,167
Total liabilities	6,863,026	419,998	383,778	99,318	550,127	8,316,247
Equity of investment account holders	19,467,852	19,675	-	89,912	-	19,577,439
Total liabilities and equity of investment account holders	26,330,878	439,673	383,778	189,230	550,127	27,893,686

As at and for the year ended 31 December 2013 QAR '000s

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

Geographical sector (continued)

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

2012	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with central bank	853,747	-	-	-	-	853,747
Due from banks	587,137	8,091	25,171	9,556	396,436	1,026,391
Financing assets	12,860,778	1,946,436	71,587	-	452,934	15,331,735
Investment securities	5,354,599	972,627	45,166	4,991	274,956	6,652,339
Investment in associates and joint ventures	194,429	-	-	-	-	194,429
Investment property	39,824	-	-	-	-	39,824
Intangible assets	807,940	-	-	-	-	807,940
Fixed assets	110,134	-	-	-	-	110,134
Other assets	234,235	8,976	71	-	-	243,282
Total assets	21,042,823	2,936,130	141,995	14,547	1,124,326	25,259,821

Liabilities and equity of investment account holders

Liabilities						
Placements from financial institutions	2,521,603	5	2,211,695	-	-	4,733,303
Customer current accounts	775,796	6,438	-	-	-	782,234
Other liabilities	443,673	14,420	-	-	1,450	459,543
Total liabilities	3,741,072	20,863	2,211,695	-	1,450	5,975,080
Equity of investment account holders	14,057,401	5,696	-	-	-	14,063,097
Total liabilities and equity of investment account holders	17,798,473	26,559	2,211,695	-	1,450	20,038,177

As at and for the year ended 31 December 2013 QAR '000s

30. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Industrial sector

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

2013	Real estate	Construction, engeering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with Qatar Central Bank	-	-	-	1,088,794	-	-	1,088,794
Due from banks	-	-	-	3,840,100	-	-	3,840,100
Financing assets	4,206,609	1,190,902	863,286	2,176,729	2,916,051	7,993,544	19,347,121
Investment securities	492,744	295,825	14,880	740,985	-	6,189,787	7,734,221
Investment in associates and joint ventures	64,511	157,390	-	-	-	33,680	255,581
Investment property	40,042	-	-	-	-	-	40,042
Intangible assets	-	-	-	777,230	-	-	777,230
Fixed assets	-	-	-	-	-	134,048	134,048
Other assets	755	63,870	-	82,740	-	262,374	409,739
Total assets	4,804,661	1,707,987	878,166	8,706,578	2,916,051	14,613,433	33,626,876

Liabilities and equity of investment account holders

Liabilities							
Placements from financial institutions	-	-	-	5,820,178	-	-	5,820,178
Customer current accounts	66,274	204,921	40	536,970	404,651	440,046	1,652,902
Other liabilities	3,368	63,870	10,172	11,779	-	753,978	843,167
Total liabilities	69,642	268,791	10,212	6,368,927	404,651	1,194,024	8,316,247
Equity of investment account holders	527,778	449,635	30,077	1,759,899	2,132,269	14,677,781	19,577,439
Total liabilities and equity of investment account holders	597,420	718,426	40,289	8,128,826	2,536,920	15,871,805	27,893,686

As at and for the year ended 31 December 2013 QAR '000s

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

Industrial sector (continued)

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

2012	Real estate	Construction, engeering and maufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with Qatar Central Bank	-	-	-	853,747	-	-	853,747
Due from banks	-	-	-	1,026,391	-	-	1,026,391
Financing assets	3,423,499	1,919,374	756,613	2,303,160	2,550,405	4,378,684	15,331,735
Investment securities	349,036	99,150	73,794	713,662	-	5,416,697	6,652,339
Investment in associates and joint ventures	-	160,749	-	-	-	33,680	194,429
Investment property	39,824	-	-	-	-	-	39,824
Intangible assets	-	-	-	777,230	-	30,710	807,940
Fixed assets	-	-	-	-	-	110,134	110,134
Other assets	34,032	548	-	4,836	125	203,741	243,282
Total assets	3,846,391	2,179,821	830,407	5,679,026	2,550,530	10,173,646	25,259,821
Liabilities and equity of investment account holders							
Liabilities							
Placements from financial institutions	-	-	-	4,733,303	-	-	4,733,303
Customer current accounts	64,163	236,402	7,280	30,453	171,802	272,134	782,234
Other liabilities	88,326	14,000	12,850	9,935	-	334,432	459,543
Total liabilities	152,489	250,402	20,130	4,773,691	171,802	606,566	5,975,080
Equity of investment account holders	212,201	672,338	394,872	1,605,779	873,507	10,304,400	14,063,097
Total liabilities and equity of investment account holders	364,690	922,740	415,002	6,379,470	1,045,309	10,910,966	20,038,177

As at and for the year ended 31 December 2013 QAR '000s

31. MATURITY PROFILE

2013	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with Qatar Central Bank	226,630	-	-	-	862,164	1,088,794
Due from banks	2,653,834	182,813	619,964	383,489	-	3,840,100
Financing assets	1,116,485	1,087,864	2,003,291	4,020,445	11,119,036	19,347,121
Investment securities	2,591,958	298,200	68,249	1,419,209	3,356,605	7,734,221
Investment in associates and joint ventures	-	-	-	-	255,581	255,581
Investment property	-	-	-	-	40,042	40,042
Intangible assets	-	-	-	-	777,230	777,230
Fixed assets	-	-	-	-	134,048	134,048
Other assets	318,649	71,991	17,703	-	1,396	409,739
Total financial assets	6,907,556	1,640,868	2,709,207	5,823,143	16,546,102	33,626,876
Liabilities and equity of investment account holders						
Liabilities						
Placements from financial institutions	4,684,879	-	473,011	76,276	586,012	5,820,178
Customer current accounts	1,652,902	-	-	-	-	1,652,902
Other liabilities	309,096	187,176	183,709	33,523	129,663	843,167
Total liabilities	6,646,877	187,176	656,720	109,799	715,675	8,316,247
Equity of investment account holders	17,625,288	1,391,969	365,988	92,994	101,200	19,577,439
Total liabilities and equity of investment account holders	24,272,165	1,579,145	1,022,708	202,793	816,875	27,893,686
Maturity gap	(17,364,609)	61,723	1,686,499	5,620,350	15,729,227	5,733,190

As at and for the year ended 31 December 2013 QAR '000s

31. MATURITY PROFILE (CONTINUED)

2012	Up to 3 months	3 to 6 months	6 months - 1 year	1 to 3 years	Over 3 years	Total
Cash and balances with Qatar Central Bank	143,449	-	-	-	710,298	853,747
Due from banks	661,844	-	-	-	364,547	1,026,391
Financing assets	2,897,033	1,278,505	741,910	2,738,953	7,675,334	15,331,735
Investment securities	111,227	70,063	397,175	541,616	5,532,258	6,652,339
Investment in associates and joint ventures	-	-	-	-	194,429	194,429
Investment property	-	-	-	-	39,824	39,824
Intangible assets	-	-	-	-	807,940	807,940
Fixed assets	-	-	-	-	110,134	110,134
Other assets	142,170	99,739	1,373	-	-	243,282
Total financial assets	3,955,723	1,448,307	1,140,458	3,280,569	15,434,764	25,259,821
Liabilities and equity of investment account holders						
Liabilities						
Placements from financial institutions	2,193,873	368,605	1,830,100	-	340,725	4,733,303
Customer current accounts	782,234	-	-	-	-	782,234
Other liabilities	182,060	47,763	12,651	163,384	53,685	459,543
Total liabilities	3,158,167	416,368	1,842,751	163,384	394,410	5,975,080
Equity of investment account holders	9,997,612	2,270,895	1,794,590	-	-	14,063,097
Total liabilities and equity of investment account holders	13,155,779	2,687,263	3,637,341	163,384	394,410	20,038,177
Maturity gap	(9,200,056)	(1,238,956)	(2,496,883)	3,117,185	15,040,354	5,221,644

As at and for the year ended 31 December 2013 QAR '000s

32. BASIC AND DILUTED EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year attributable to the owners of the Group by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Profit for the year attributable to the owners of the Group	**496,309**	345,093
Weighted average number of outstanding shares	**296,165**	296,165
Basic and diluted earning per share (QAR)	**1.68**	1.17

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

	2013	2012
Weighted average number of shares at 1 January	**296,165**	187,034
Issued during the year	**-**	109,131
Weighted average number of shares at 31 December	**296,165**	296,165

33. CASH AND CASH EQUIVALENTS

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

	2013	2012
Cash and balances with Qatar Central Bank (excluding QCB restricted reserve account)	**226,630**	143,449
Due from banks	**2,653,833**	661,844
	2,880,463	805,293

As at and for the year ended 31 December 2013 QAR '000s

34. RELATED PARTIES

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

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

	2013			2012		
	Subsidiaries and associated companies	**Board of directors**	**Others**	Subsidiaries and associated companies	Board of directors	Others
Assets:						
Customer financing	**199,991**	**404,274**	**648,612**	166,185	220,252	100,866
Liabilities:						
Customer deposits	**351,242**	**12,897**	**164,735**	257,674	34,896	3,091
Other liabilities	**-**	**-**	**32,475**	-	-	51,758
Off balance sheet items:						
Unfunded credit facilities	**-**	**196,803**	**-**	-	162,689	-
Consolidated income statement items:						
Profit income	**4,460**	**16,495**	**21,082**	2,523	3,037	2,968
Profit expense	**1,165**	**22**	**1,438**	284	-	-

Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2013	2012
Credit card	**241**	63
Other financings	**7,664**	3,576
	7,905	3,639

Key management personnel compensation for the year comprised:

	2013	2012
Short-term employee benefits	**45,958**	38,188
Post-employment benefits	**11,861**	4,690
	57,819	42,878

As at and for the year ended 31 December 2013 QAR '000s

35. RISK MANAGEMENT INSTRUMENTS

	Positive fair value	Negative fair value	Notional amount	Notional / expected amount by term to maturity: within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2013:							
Risk management instruments:							
Profit rate swaps	**11,132**	**5,293**	**1,803,858**	**-**	**162,935**	**982,021**	**658,902**
Forward foreign exchange contracts	**4,084**	**2,588**	**768,424**	**675,425**	**21,414**	**71,585**	**-**
Total	**15,216**	**7,881**	**2,572,282**	**675,425**	**184,349**	**1,053,606**	**658,902**
At 31 December 2012:							
Risk management instruments:							
Profit rate swaps	7,903	7,304	1,202,423	-	162,935	1,039,488	-
Forward foreign exchange contracts	-	273	72,072	72,072	-	-	-
Total	7,903	7,577	1,274,495	72,072	162,935	1,039,488	-

36. ZAKAH

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

37. SHARI'A SUPERVISORY BOARD

The Shari'a supervisory Board of the Group consists of three 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.

38. COMPARATIVE FIGURES

The comparative figures presented for 2012 have been reclassified where necessary to preserve consistency with the 2013 figures. However, such reclassifications did not have any effect on the consolidated net profit, or the total consolidated equity for the comparative year.

As at and for the year ended 31 December 2012 QAR '000s

PARENT COMPANY

The statement of financial position and income statement of the Parent are presented below:

i. STATEMENT OF FINANCIAL POSITION OF THE PARENT

As at 31 December	2013	2012
ASSETS		
Cash and balances with Qatar Central Bank	**1,087,136**	852,139
Due from banks	**3,765,733**	985,311
Financing assets	**18,072,552**	14,079,788
Investment securities	**7,511,921**	6,402,701
Investment in subsidiaries, associate and joint venture	**2,426,626**	2,417,517
Investment property	**39,042**	-
Fixed assets	**87,291**	77,729
Intangible assets	**-**	12,187
Other assets	**376,800**	161,570
TOTAL ASSETS	**33,367,101**	24,988,942
LIABILITIES		
Due to banks	**5,820,178**	4,733,303
Customer current accounts	**1,654,321**	798,878
Other liabilities	**722,728**	356,920
TOTAL LIABILITIES	**8,197,227**	5,889,101
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**19,927,262**	14,246,637
OWNERS' EQUITY		
Share capital	**3,000,000**	3,000,000
Legal reserve	**1,594,641**	1,612,695
Treasury shares	**(26,550)**	-
Fair value reserve	**(2,045)**	7,241
Retained earnings	**676,566**	233,268
TOTAL OWNERS' EQUITY	**5,242,612**	4,853,204
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**33,367,101**	24,988,942

As at and for the year ended 31 December 2012 QAR '000s

ii. INCOME STATEMENT OF THE PARENT

For the year ended 31 December	2013	2012
Income from financing activities	690,565	548,109
Income from investing activities	376,147	277,212
Total income from financing and investing activities	1,066,712	825,321
Fee and commission income	96,261	83,745
Fee and commission expense	(13,596)	(13,081)
Net fee and commission income	82,665	70,664
Foreign exchange gain	13,491	15,491
Dividend from a subsidiary	88,000	-
Other income	145	1
Total income	1,251,013	911,477
Staff costs	(214,284)	(146,730)
Depreciation and amortisation	(47,224)	(43,925)
Other expenses	(138,137)	(106,478)
Finance expense	(63,368)	(55,711)
Total expenses	(463,013)	(352,844)
Net impairment loss on investment securities	(6,381)	(5,046)
Net impairment loss on financing assets	(88,462)	(95,319)
Profit for the year before return to investment account holders	693,157	458,268
Return to investment account holders before the Bank's share as Mudarib	(367,598)	(283,861)
Bank's share as Mudarib	117,739	46,749
Less: net return to investment account holders	(249,859)	(237,112)
Profit for the year	443,298	221,156