البنك الأهلي
ahlibank

Annual Report 2014

Local, modern and secure banking

Ahlibank is the business name of Ahli Bank Q.S.C.

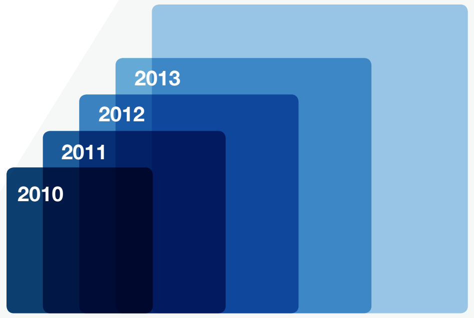
HIS HIGHNESS

Sheikh Tamin Bin Hamad Al-Thani

Emir of the State of Qatar

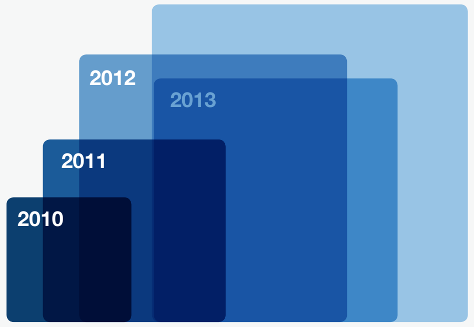
Content

Financial Highlights



2014 NET PROFIT

601,273



2014 TOTAL ASSETS

31,380,400

	2014	2013	2012	2011	2010
Net Profit	601,273	525,685	465,159	442,245	412,329
Total Assets	31,380,400	26,177,170	20,606,140	17,923,420	17,965,718
Total Loans	21,307,947	17,312,451	14,013,630	12,344,000	11,338,854
Total Liabilities	27,209,304	22,613,849	17,164,528	15,410,374	15,901,448
Shareholders' Equity	4,171,096	3,563,321	3,441,612	2,513,046	2,064,270
Return on Average Assets	2.2%	2.3%	2.5%	2.6%	2.3%
Return on Average Equity	15.5%	15.9%	16.4%	19.2%	21%
Cost to Income Ratio	30.0%	32.3%	31%	28.7%	26.9%
Financial Leverage	6.5	6.3	5.0	6.1	7.7
Risk Asset Ratio	18.1%	19.2%	20.8%	22.1%	14.9%

Credit Ratings

A+

International Ratings
Fitch Ratings upgraded Ahlibank's long-term foreign currency rating to A+ from A and also enhanced the Bank's support rating floor to A+. Fitch maintained the Bank's viability rating at BBB- and support rating at 1. All the ratings are associated with a stable outlook for the Bank.

A

International Ratings
Capital Intelligence (CI) affirmed Ahlibank's Long- and Short-Term Foreign Currency Ratings at 'A' and 'A2', respectively.
The agency also maintained the Support Level of '1'.The Outlook for all the ratings is 'Stable'.

These ratings reflect Ahlibanks' strong underlying business fundamentals, realised through effective and focused execution of its well-defined strategies within a prudent and acceptable risk management framework.

Fitch Ratings March 2015

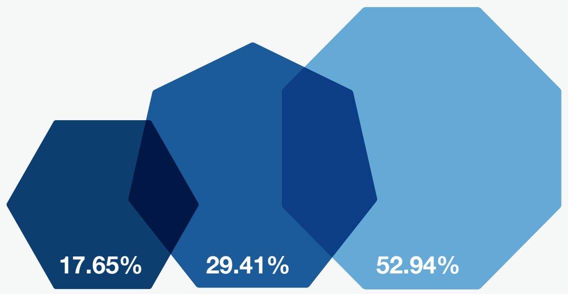
Long-Term Issuer Default Rating (IDR)	A+
Short-Term Issuer Default Rating (IDR)	F1
Support Rating	1
Bank Viability Rating	BBB-
Outlook	Stable

Capital Intelligence December 2014

Long-Term Issuer Default Rating (IDR)	A
Short-Term Issuer Default Rating (IDR)	A2
Support Rating	1
Financial Strength Rating	A-
Outlook	Stable

Shareholding Structure

Public and Institutions	52.94%
Qatar Foundation	29.41%
Qatar Holding	17.65%



Board of Directors' Report

Al Salamu Alaikom

On behalf of the members of the Board of Directors, I would like to thank you for accepting the invitation to attend the annual general meeting to discuss the bank's financial statements for the financial year ended 31 December 2014, to hear the report of the Board of Directors, and to go through the Bank's achievements and what we are aiming for in the future.

The Bank has achieved over the past year a net profit of QR 601 million, with 14.4% growth over the year 2013. This reflects a positive operating performance and shows the Bank's ability to grow steadily and satisfactorily. The Bank has also achieved well in terms of the size of its balance sheet and the quality of its assets by reducing the non-performing loans.

This positive performance of the Bank is due to the strength of the Qatari economy, which is one of the fastest-growing, with a large number of private and public projects, allowing national banks to diversify their products and investments and which positively reflects on the performance and profitability.

In addition to the Bank's good performance, and in order to keep up with modernity, the Bank has launched a new identity that supports its mission and reflects its vision and values. The Bank also changed its website and launched a smartphone application, thus allowing customers to benefit from electronic services and to choose products that are compatible with their requirements. The Bank is also undertaking a comprehensive renovation of all its branches to reflect its new brand and identity.

Capitalising on its new identity, and to further develop its relationship with the community, the Bank has actively contributed to the "Education Above All" initiative launched by the Qatar Foundation, and the Bank will provide additional services to participate in the success of this project.

Corporate governance is today being given the highest of priorities by the international and local regulatory authorities, who are responsible for supervising the operations of financial companies and institutions. In this context it has become imperative that companies regulated by Qatar Financial Markets Authority (QFMA) should issue an annual corporate governance report about their observance and implementation of corporate governance guidelines and principles. We are pleased to invite you to review the corporate governance report published on the Bank's website.

After this brief report, the Board of Directors would like to recommend to the esteemed assembly the following among the items of the agenda:

1. To discuss and approve the financial statements for the financial year ended 31 December 2014.

2. To approve the distribution of cash dividends at the rate of 15% and in the form of free shares of 10%, provided that the free share distribution will be subject to the approval of the extraordinary general assembly.

We are looking forward to the continuous success of the Bank in the interest of its shareholders and the Qatari economy in general.

It is an honour to extend my sincere appreciation and gratitude to His Highness Sheikh Tamim Bin Hamad Al-Thani, the Emir, may God protect him, and to His Excellency the Prime Minister Sheikh Abdullah Bin Nasser Al-Thani and HE the Minister of Finance and HE the Minister of Economy and Trade for their generous guidance and wise strategies.

I would also like to extend my thanks and gratitude to our customers for the trust they have in us and to you dear shareholders for the support and encouragement you have provided. We also extend appreciation to His Excellency Sheikh Abdullah Bin Saud Al-Thani, the governor of Qatar Central Bank, and his deputy, Sheikh Fahad Bin Faisal Al-Thani, and all the Qatar central bank staff and to the Bank's management and employees.

I ask God the almighty to help us to serve our beloved country and to satisfy our valued shareholders and serve our valued customers.

Sheikh Faisal Bin Abdulaziz Bin Jassem Al-Thani
Chairman of the Board and Managing Director

Board of Directors

Sheikh Faisal Abdulaziz Jassim Al-Thani

Chairman & Managing Director
Head of the Policies, Development and Remuneration Committee
Head of the Tender Committee

Holds a bachelor's degree in finance, 2003, from Suffolk University, Boston, USA; chairman of M/S. Gulf American Company for Trading and Contracting, Qatar; chairman of M/S. FBA Company, Qatar; former member of Ahlibank's Audit Committee, Doha, Qatar.

Sheikh Jassim Mohammed Hamad Al-Thani

BOD Member
Member of the Audit, Compliance and Risk Committee

Holds a bachelor's degree in trade; board member of M/S. Trans Orient Establishments, Qatar; board member of M/S. Jassim Bin Mohammed and Partners, Qatar.

Sheikh Fahd Falah Jassim Al-Thani

BOD Member

Holds a bachelor's degree in finance, from George Washington University, USA; board member of M/S. Al-Majal International Trading and Contracting Co., Qatar; board member of M/S. Doha Restaurants, Qatar; board member of M/S. Touristic Investment Co., Qatar; board member of M/S. Damsa International, Qatar; board member of M/S. Galaxy Cleaning and Maintenance Co., Qatar.

Mr Victor Nazeem Agha

BOD Member
Member of the Executive Committee

General director of M/S. Al-Sadd Travel Agency, Qatar; general director of M/S. Al-Sadd Exchange Company, Qatar; board member of M/S. Doha Insurance, Qatar; board member of M/S. Al-Zubara for Real Estate Investment, Qatar; former board member of Al-Sadd Sports Club, Qatar.

Sheikh Nasser Ali Saud Al-Thani

Deputy Chairman
Head of the Executive Committee
Member of the Tender Committee

Chairman and managing director of M/S. Qatar General Insurance and Re-Insurance Company, Qatar; chairman of M/S. World Trade Centre, Qatar; board member of M/S. Trust Bank, Algeria; board member of M/S. Trust Insurance Company, Algeria; partner and board member of M/S. Al-Sari Trading Company, Qatar; partner and board member of M/S. General Contracting Company (GENCO), Qatar.

Sheikh Faisal Thani Faisal Al-Thani

BOD Member
Member of the Policies, Development and Remuneration Committee

Holds a bachelor's degree in business, Washington, USA; Deputy Chief Investments Officer in M/S. Qatar Foundation for Education, Science and Community Development, Qatar; experience of (3) years as Assistant Investment Manager at Qatar Central Bank, Qatar; board member of M/S. Qatar Foundation for Education, Science and Community Development, Qatar.

Mr Fahd Saad Al-Qahtani

BOD Member
Member of the Audit, Compliance and Risk Committee

Holds a bachelor's degree in engineering management; Group Executive Director - Administration of M/S. Qatar Foundation for Education, Science and Community Development, Qatar; board member of M/S. Qatar Foundation for Education, Science and Community Development, Qatar.

Mr Ahmed Abdulrahman Nasser Fakhro

BOD Member
Member of the Executive Committee
Member of the Policies, Development and Remuneration Committee
Member of the Tender Committee

Board member of M/S. Qatar Cinema and Film Distribution Company, Qatar; former minister plenipotentiary in M/S. Ministry of Foreign Affairs, Qatar. plenipotentiary in M/S. Ministry of Foreign Affairs, Qatar and board member of M/S. General Contracting Company (GENCO), Qatar.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Chief Executive Officer's Statement

Salah Murad
Chief Executive Officer

The financial closure of Ahlibank ended on a positive note, in the climate of a somewhat fragile world recovery, and a canvas showing several directions from various economic regions on interest rates and economic growth. As a result, the challenge of the oil price decline recently experienced in the region has alerted those countries that run high deficits to implement budgetary reforms.

The economic engine in Qatar was "built to last". With budget surpluses, strong reserves, and diverse revenues, Qatar's economy has provided a solid environment to operate, under the guidance of H. H. The Emir.

Despite these challenges, I am proud to present our annual financial performance and the various achievements of the year ending 31 December 2014, and to celebrate new financial milestones in both Balance Sheet and Income Growth.

Our strategy for a local market focus has proved its worth. Our business operation in supporting the various Qatari business communities has provided us with the basis for building our new brand essence of being at the heart of the community. We are grateful for the leadership of His Highness the Emir for providing a strong and sustained economic environment where the all businesses are flourishing.

As we are heading towards the 2022 Football World Cup, Qatar is preparing the ground to have a modern and efficient infrastructure, backed by a logistical support that is fueling growth in the economy.

We were a beneficiary of this economic growth in 2014, evidenced by our loan growth of 23.1%, resulting in Net Interest income growing by 9.6%. We further focused in non-interest income to support Net Profit growth and succeeded in exceeding the previous year by 11.1% to QR 182.4 million. The end result is a new milestone of Net Profit for the year of QR 601.3 million as against QR 525.7 million recorded for 2013.

All business banking divisions have been able to realise opportunities generated across Qatar. We continue to grow our market share, without any compromise on asset quality. We concluded two new long term strategies, considered to be significant milestones in the bank's list of achievements, namely addressing the maturity structure of our liabilities in preparation for the implementation of Basel III, and rebranding the bank to support our franchise value.

We have managed to contain costs to 30% of income, and reduced the non-performing loans ("NPLs") from 1.43% in December 2013 to 1.20% in December 2014.

Despite this reduction, we purposely built our provisions coverage ratio to a comfortable level of 137%. On reflection, we have completed major building blocks for future leverage in our business development and balance sheet growth, in applying anticipated loss modeling in replacement of incurred modules.

Capitalisation and liquidity continue to receive significant attention. We have been steadily growing our equity base through combined internal and external capital generation since October 2012.

With the full support of our shareholders, we have increased our Tier 1 capital base by QR 1.4 billion to QR 3.9 billion in the past 27 months. Our capital adequacy ratio stood strong at 18.1%, supported by a period stress testing exercises to ensure compliance and adequacy.

We deployed SunGard solution to helped us improve in three key areas: Basel III monitoring and compliance, the calculation of risk weighted assets, and measurement of risk adjusted return on capital (RAROC) in order to allocate capital efficiently to various businesses within the bank. The Bank's liquidity position will receive further attention, following the successful debut syndicated facility extended to us by international lenders.

The strategic investments spend in 2014 have been dedicated towards constructing stronger retail platform as a starting point for building a greater franchise value. Furthermore, there have been over 30 technology initiatives undertaken towards either supporting the business banking platforms or internal infrastructure. An example of the benefits of those investments has appeared in increased market share in our brokerage service provided through our wholly owned Ahli Brokerage Company.

Despite the unexpected steep drop in energy prices, we continue to look at 2015 with optimism and renewed energy. The economic activities in Qatar will be the driver for growth, supported by a strong fiscal budget. Now that we have invested in technology platforms, we will be reaching out to greater client use of our products and services. Training our Qatari talent will always be a strategic priority, and we remain committed to examine and enhance non interest income to generate diversified sources of income.

I would like to express my gratitude and appreciation to our customers and our Shareholders for their confidence in entrusting us, my Board of Directors for their strategic direction and stewardship, all the Employees and Management for their commitment and hard work and the Qatar Central Bank entire team and the Governor for their guidance and support.

Salah Murad
Chief Executive Officer

Net Interest income growing by
9.6%

New milestone of Net Profit for the year of
QR 601.3 MILLION

Reduced non-performing loans to
1.2%

Increased Tier 1 capital to
QR 3.9 BILLION

Review of Operations

Our New Look

Our New Look

Our rebrand has given us the chance to step back, look at the community we serve and make a commitment to remain true to its wellbeing by asking what it needs, listening to what it tells us and acting on what we hear.

Review of Operations

Our New Look

For over 30 years we have grown with and supported our community. We have seen it develop from a world pearling centre into the economic hub and sporting capital we are proud to be a part of today.

The changes in ownership and organisational structure heading into 2014 gave us an exciting opportunity to capture the true character of our Bank through a rebranding project that listened to our customers, our stakeholders and our employees.

Our vision; to be 'at the heart of the community' is the core of our new brand and defines our aspirational goal as a Qatari bank. To achieve this vision we have committed to our brand promise, our brand values and we will use our mission to keep us on the right path.

To be 'at the heart of the community' involves engagement through clear communication and accessibility. Being receptive to what we hear and giving our customers the assurance that we will meet their needs will help us develop confidence and commitment within our community.

As part of this engagement with our community we are embracing change. We are investing in technology that will modernise the banking services we offer in branch, online and through mobile devices. Our aim is to provide all our personal and business customers with the best possible service.

Just like our community, our Bank has been built on trust and reliability and this has been recognised for several years by international rating agencies. We are and will continue to be a stable and healthy bank that serves the local and international market.

To symbolise our rich heritage and our commitment to safeguarding our customers' assets, a modern interpretation of an oyster shell has been chosen as our logo. This shell represents what we are today and what we will continue to be; a local, modern and secure bank that will protect what is entrusted to it and grow with the community.

Moving forward, our new look will convey a single and consistent message to our customers; Ahlibank with you. We are here for our customers and our community. We grow with them and we change with them.

OUR VISION
To be at the heart of the community.

OUR MISSION
- **To provide the right products for customers in our community**
- **To be straight forward, approachable and responsive**
- **To be actively involved with our community**

OUR BRAND VALUES
- **Inspired**
- **Considered**
- **Engaged**

OUR BRAND PROMISE
The most personal banking experience.

Review of Operations

Retail Banking

Customer engagement through clear communication and new technology

The launch of our new brand gave the Retail Banking department an opportunity to address the needs of its customers in branches, print media, online services and through the launch of a new mobile banking application.

Customers are demanding an increasing number of ways to bank seamlessly, anytime and anywhere. Although challenging, we embraced this as an opportunity to use new technology to transform our customers experience in branches, online and from their mobile devices.

The way in which we communicate with our customers has changed. By grouping our products based on the needs of the customer and offering tools that can assist the customer in making an informed decision we are adopting a more modern and open approach to customer communication.

Our new branches at Umm Lekhba and City Centre combine the physical traditional requirements of a bank branch with state of the art technology. An advanced queuing system, wall mounted interactive screens and technology hubs now greet our customers at the entrance, helping them discover more about our products and services. For our Premium Banking customers, new premium lounges have been opened which provide free WiFi and coffee facilities.

Qatar has one of the highest mobile phone penetrations globally and this is certainly the banking method of choice for the younger generation. In 2014 we launched our Mobile Banking app which can be used on Android and Apple devices.

Our website received a fresh look this year to match our new brand. Simple navigation, clear and warm language that speaks clearly to the customer and the introduction of our product selector and loans calculator help customers find the right products for their personal needs. More tools are planned which will further enhance the customer experience on our website.

Our commitment to provide the most personal banking experience to our customers means we strive for exceptional customer service standards at every touch point. Customers are asking for competitive products and efficient service which, needs to be balanced with business costs. We have reacted to these needs and re-engineered our key applications processes for loan products to enable instant decisions and reduce the administrative burden. We plan to expand on this initiative in the near future by reducing the paper application process for other product ranges.

We are available to our customers 24/7. To improve the service we offer we have upgraded our Contact Centre technology to improve efficiency, accuracy whilst always aiming to achieve a 'one call resolution' outcome.

To complement our online and branch services we have redesigned our brochures by using product groups to showcase our full range. Now customers will find all our loan products under the 'Borrow' product group, making it easier for them to compare and select the best fit for their needs. We have separated the fees and charges along with the terms and conditions to give a clearer view of our products. Written in a plain language this information answers the most common questions and is easy to understand.

The Retail Banking department saw across-the-board increases in loan sales, fee income, deposits and cardholders in its credit card portfolio leading to achievements in its financial goals. Our customer centric Al-Rabeh prize draw account has been key to this achievement. Similarly, the popular 'Pearl' rewards Credit Card initiative has experienced a significant uptake and usage.

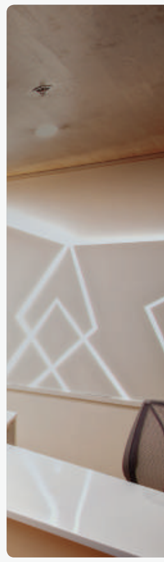
In 2014 we introduced new products, one of which was the Visa Signature Credit Card. More products are due to launch in the coming year. We also added more ATMs to our network, with 55 now available in convenient locations across Qatar. In 2015 we will be launching kiosk technology as a standard feature in all new branches to help improve and deliver a quicker service.

Outlook for 2015

In 2015, the Retail Banking department will continue the redesign of the remaining branches with a technology centred approach that focuses on improving customer service at all points of delivery. Our aim is to provide a seamless and highly efficient service which at the same time maintains the personal touch. We will continue to focus on technology solutions that enable us to stay ahead of competitors, whilst broadening our appeal to key customer segments and at the same time reducing operational costs. A pipeline of new products which will appeal to existing and new to brand customers will also be launched.

We will continue to see the same trends as 2014, high demand on technology, products and services that are easily accessible, affordable and simple to understand. We will continue to approach these challenges and demands as opportunities to meet the needs of our growing customer base and the overall strategy of the Bank.

We are prepared for the many exciting challenges the year ahead presents and we are confident in our ability to meet the future needs of our community by delivering banking products we know are needed by our current and potential customers.



Review of Operations

Corporate Banking

A record achievement for Corporate Banking

Reducing our operational costs and improving efficiency through technology initiatives have significantly contributed to our results this year.

Although 2014 presented us with a challenging market, our achievements surpassed the previous years' thanks to our existing and new customer relationships.

Competition amongst banks for quality business was very high, business opportunities were limited and reducing interest rate margins made our objective for the year a challenge.

Our contribution to the business community has always been an integral part of what we do. Our new brand affirms the need for the Corporate Banking department to continue to seek out opportunities to become a strategic partner of choice for Qatari corporations and support their aspirational international growth.

Despite these challenges, we achieved outstanding results across the board in 2014. Our loans and advances repeated their strong growth performance of the previous year with a 25% increase on 2013 results. Trade finance volumes and income continued on their upward trend due to a high level of contractor financing.

Through our long-standing relationships and new to brand customers we were able to broaden our client base and asset quality.

This newly expanded client base increased business volumes which safeguarded our bottom line despite declining interest rates and lower oil prices. This also enabled us to support a number of high value transactions. Noteworthy among these transactions in 2014 was the financing for a large Qatari corporation's acquisition of a leading regional jewellery chain based in the United Arab Emirates.

Our pursuit of new quality business enabled us to strike a balance between growth and asset quality and at the same time preserve our net interest margin and achieve our overall business objective for the year.

Outlook for 2015

Qatar's economy is strong and despite lower global commodity prices which may affect other economies within our region, we are in a resilient environment that is undertaking a large number of infrastructure projects to support the Qatar National Vision 2030.

We will continue to participate in the many mega contracts for infrastructure and other projects that will continue to be awarded in Qatar over the coming years, and we will promote ourselves as a strategic partner of choice for businesses within our community.

Review of Operations

International Banking

Strong regional and international partnerships to drive growth

ahlibank
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September 2014

USD 200,000,000
Syndicated Term Loan Facility

Initial Mandated Lead Arrangers and Bookrunners

BARCLAYS COMMERZBANK FGB HSBC

Mandated Lead Arrangers

ADCB ING Bank MIZUHO

Lead Arrangers
National Bank of Bahrain B.S.C.
Standard Chartered Bank

Arranger
Commercial Bank of Dubai PSC

Facility Agent
Commerzbank International S.A.

In 2014 we experienced some changes in the market with heightened regulatory requirements centred predominantly around Know-Your-Customer (KYC) and Anti-Money Laundering (AML), as well as the Foreign Account Tax Compliance Act (FACTA), a United States federal law imposed globally on all US citizens.

As with previous years, there continued to be a rising number of geopolitical concerns, especially in the Middle East which raised regional and global uncertainties for international banking.

The enhancement of regulatory requirements always presents us with the opportunity to strengthen the processes through which we service our customers. By quickly adapting and adhering to these changes we continue to give the assurance to our community that being a trusted and internationally rated bank for our ability to meet our financial obligations is of the upmost importance.

We successfully raised a debut three-year syndicated loan facility valued at USD 200 million. The deal was led by Barclays, Commerzbank, First Gulf Bank, and HSBC and helped to significantly increase Ahlibank's medium-term funding to meet Qatar Central Bank and Basel III credit ratio requirements.

In 2014, we engaged with the Treasury and Investment department in diversifying the Bank's funding sources and put plans in place to continue this working relationship, tackling the challenge of ongoing liquidity and balance sheet management.

We also worked closely with the Corporate Banking and IT departments to promote our Q-Pay payment gateway, which is expected to yield significant increase in customer participation in 2015.

Building relationships with other business areas as well as in the local, regional and international markets has been a focus for us this year and will continue to be. Forging strong relationships will help us achieve our overall vision of being 'at the heart of the community'.

Our responsibility for all the Bank's cross-border activities placed an emphasis on optimising key Financial Institution (FI) relationships in 2014 in the short, medium and long-term. As a result of this activity, Ahlibank representatives attended high-level meetings of the International Monetary Fund (IMF) in Washington, DC and participated in Sibos, the world's premier financial trade event, organised by SWIFT for the financial industry.

Our Personal and Business customers trust and rely on our ability to meet our financial commitments to them through our liquidity, capital adequacy and asset quality. For this reason we have been tasked with coordinating the Bank's discussions with external Rating agencies and were proud to receive upgraded ratings by Fitch Ratings and reaffirmed ratings by Capital Intelligence.

Outlook for 2015

We anticipate further tightening of KYC and AML controls in 2015 which we are prepared for and will be able compliant. We will embrace technology to support changes and transitions, whilst reducing operational costs.

As in 2014, we will continue to progress our relationships with internal business areas, our local, regional and international banking community and key financial institutions worldwide for the benefit of the Bank and its customers as a whole.

Review of Operations

Private Banking

We have listened to our community and we understand how important private banking is to Qatar's residents. They want the option to have their wealth managed close to home by a secure and trusted institution where they understand the rules, regulations and language.

Outlook for 2015

The potential for private banking in Qatar and throughout the GCC region is significant. In 2015 we will be focused on introducing new investment products. These will cover various asset classes such as Structured Products, Private Equity and Commodities as we see significant allocation to these alternatives investments in the region.

We will also enhance the end-to-end service we provide through upskilling our team to meet these needs.

In 2014, the global wealth management industry continued to experience a steady recovery following the world financial crisis in 2008. The sector in the GCC countries was influenced by a number of factors including rapid economic growth coupled with commercial diversification, youthful demographic profile, increasing demand for sharia-compliant products and changing cultural attitudes.

This has led to a demand for a higher standard of product, service and overall customer experience. As a result, Private banking has become increasingly competitive in the region, resulting in more choice for customers.

Historically Private banking customers were serviced through foreign banks headquartered in the traditional financial centres such as London, Geneva and New York. Recently, there has been an influx in foreign banks establishing a local presence. In 2014, of the 61 private banks operating in the Gulf Cooperation Council (GCC) region, approximately half are foreign with satellite operations based in Dubai.

The Private Banking department overcame the year's challenges and the changing market and exceeded its financial targets for 2014 with assets growing by 71% over the previous year.

During the year we became the sponsor of one of Doha's leading local equity funds. The Qatar Gate Fund continues to outperform its competitors and the market benchmark since its inception.

Providing our customers with products that support them in purchasing overseas properties has been a key initiative for us this year. As such, we launched the UK Real Estate Mortgage Loan product during 2014. This product enables our customers to purchase residential and commercial properties in the United Kingdom, financed by loans in Qatari Riyals.

In 2014 Ahlibank entered into a partnership with Commerzbank of Germany. This gave our Private Banking customers the advantage of financing residential property purchases in all the major European countries and capitals. The newly formed partnership also enabled us to offer customers discretionary portfolio management services, access to all types of commodities (including physical gold) and various structured investment products.

To support the year's activities and help our team deliver a better and more personalised customer service experience, we implemented a customer relationship management (CRM) system in 2014.

Review of Operations

Treasury and Investment

Decreasing operational costs, increase in performance

In 2014 the Treasury and Investment department focused its efforts on the diversification of the Banks funding sources, compliance with regulatory requirements, development of strategic banking relationships and the implementation of new cost effective technology solutions.

In the first half of the year, major global currencies maintained their strength against the US dollar despite the growing US economy. However this did not last and from July onwards the US dollar strengthened significantly and nearly all other major currencies fell to multi-year lows against it. In the United States, the Federal Reserve brought an end to its asset repurchase programme and switched its focus to reducing the country's inflated balance sheet and normalising interest rates.

The UK economy continued to benefit from the austerity programme introduced by the government there in 2010, whereas other European economies continued to falter. In the third quarter of 2014, we did see some action by the European Central Bank (ECB) towards buying covered bonds.

Most noteworthy among Asian economies was the implementation in Japan of quantitative easing by the Bank of Japan. The intent was to further weaken the yen and thereby drive domestic growth through increased export revenues.

Balancing operational cost with business requirements is always a challenge. Using enhanced technology resources, we improved processing functionality and our product offering for our customers. In particular, this enabled us to better tailor products to suit the needs of individual clients for the more personal banking experience our new brand aspires to.

Technological upgrades added value to our domestic and international partners. We sought to be more active market makers in Qatari Riyals using all of the world's principal electronic trading platforms.

Working alongside the International Banking team, we achieved a key objective for 2014 in diversifying the Bank's funding sources and maintaining the net interest margin. This also brought about a focus on managing our proprietary investment portfolio with growth in bond and equity holdings. We also increased our medium-term funding which kept us within the Basel III regulatory requirements.

In 2014 we evaluated our performance and our points of contact with customers. Understanding our customer interactions and using this information to identify what more we can do will support us in providing the best possible products and services moving forward.

Outlook for 2015

Stability is forecast in the year ahead for domestic interest rates, but volatility is predicted for stock markets in Qatar and throughout the GCC region. Oil prices are expected to remain under pressure and we anticipate a weaker investment environment than in 2014, as oil producers reduce budget spending.

Internationally, we forecast a rise in interest rates in the United States in 2015 and the United Kingdom during 2016. We also foresee the ECB holding to an accommodative monetary policy in an attempt to help Europe out of recession. In Asia, we predict that the Japanese government and Bank of Japan will again suppress that nation's currency in an effort to drive Japan's growth through lower export costs.

With our dedicated and skilled team, the Treasury and Investments department is in a prime position to manage the market challenges of the coming year and service our customer needs whilst at the same time building relationships within the local and international banking community.

Review of Operations

Information Technology

Modern and secure services that meet both business and customer needs

In 2014, the Information Technology (IT) department played an integral role in developing and implementing IT solutions that would support the new brand and vision of the Bank.

Our new brand gave us the opportunity to modernise our customer interfaces. A new customer website, updated online banking service, modernised ATM screens and enhanced e-banking statements were all launched in 2014 with the new look and feel of the Bank. Moreover, each one was developed with accessibility and simple navigation in mind making it easier for customers to find the information they need.

Our new brand focuses on providing our customers with the most personal banking experience through accessibility, responsiveness and efficiency all supported by state of the art technology.

One of our key achievements was the launch of our new branches at Umm Lekhba and City Centre. These branches boast state of the art technology throughout, with interactive screens and technology hubs housing tablets. Customers are welcomed to use these devices during their visit as an easy way of accessing information they need on the products and services we have to offer.

Towards the end of 2014 the IT department, in conjunction with other business areas introduced Mobile Banking. Available on Android and Apple smartphones and mobile devices, this app now offers both Retail and Corporate customers the flexibility to manage a number of their banking services on the move.

For the welfare of our customers, IT security is as important as financial security. During the year we upgraded and implemented a number of software and hardware solutions that safeguard customer data, protect the Bank's internal business systems and infrastructure, and support business continuity for our customers. One of these was the implementation of the 3D Secure service which enables secure online card transactions through a One Time Password (OTP) authentication process. We also updated our expanded ATM network with anti-skimming and password shield devices.

Cross department collaboration was key in meeting the Basel III requirements for the Bank this year. The IT department played its part in this achievement through implementing a new Basel III system for calculating capital adequacy and providing automated reporting. Moving forward this will support the Bank in adhering to these regulatory requirements, monitoring its financial risk and making the best use of its capital.

Outlook for 2015

In line with our new brand, our focus will be on delivering IT solutions that streamline business processes enabling point of sale decision making and a more efficient customer service experience. We will work with other areas of the business to support them in the delivery of systems and software that will enhance operational efficiency and automate processes.

Compliance, business continuity and disaster recovery will remain an area of focus for our department along with system security. We will continue to keep abreast of international best practice solutions to data management and infrastructure security.

In 2015, we plan to deliver solutions that empower our employees, enhance our market presence and open our customer communication channels, making us the local, modern and secure bank 'at the heart of the community' that we aspire to be.

Review of Operations

Human Resources

Leading by example and embracing change

Ahlibank is its employees and we have embraced the new brand, modern look and our vision to match the changing needs of our community.

Our new brand promotes the use of clear communication when we engage with our customers and our community. This is also true for our internal communications to our employees.

In 2014, the Human Resources department played an integral part in the phased roll-out of the new brand to our employees. To achieve this some key changes were made to support the transition for our employees, the recruitment of new talent and the commitment of everyone to the new vision.

The roll-out of the new brand was the most challenging and at the same time the most rewarding experience. It gave us an opportunity to engage with all members of the team and inspire them through an exciting project that demonstrated the Bank's long-term commitment to our local community. To facilitate the transition of all employees to the new brand a number of introduction sessions were held to support everyone in understanding our new culture. A brand handbook was also developed to help them incorporate these values and behaviours into their working days and interactions with customers.

As part of our overall strategy and as a Qatari bank, it has always been important for us to attract and retain Qatari talent. During the year we continued to select the most capable and aspiring candidates for the Bank's vacancies that were compatible with our new culture. In 2015 we aim to establish an assessment centre that follows a rigorous selection process and placement procedure.

To nurture our new and existing team members we understand the need to support their academic development. In 2014 we held 40 in-house training programmes as well as 15 local and 15 overseas. Our programmes were specially designed on banking, money laundering, change management, sales strategies and techniques, relationship building, customer service, and product knowledge and were attended by nearly 400 employees. Training in other banking operations and in English language was also offered.

Keen to embrace technology, we introduced simulation laboratories in training sessions and to assess staff competencies in replacement of the traditional formal classroom setting.

Just as our customers should be able to easily understand our products and services, our employees should clearly understand what is expected of them. With this in mind, we used our new brand as an opportunity to roll-out Key Performance Indicators (KPIs), review and develop job descriptions across departments and update our HR policies and procedures. We are confident our employees understand their roles and responsibilities, are fully engaged and committed to delivering the required results and have access, in Arabic and English, to clear guidelines that govern their actions within the Bank.

During 2014 our aim was to become a business partner with other departments across the Bank. To achieve this we implemented the HR Delivery Model which succeeded in opening communication channels between other business departments and Human Resources. By engaging earlier we have been able to develop robust recruitment plans, improve employee relation, support performance management and facilitate the training and development needs of these business areas.

Outlook for 2015

In 2015, the Human Resources department will continue to facilitate the embracement and embedding of our new brand in everything we do. We are a business department that has become more business aware and will continue to build on this knowledge for the overall benefit of the Bank.

Review of Operations

Corporate Social Responsibility

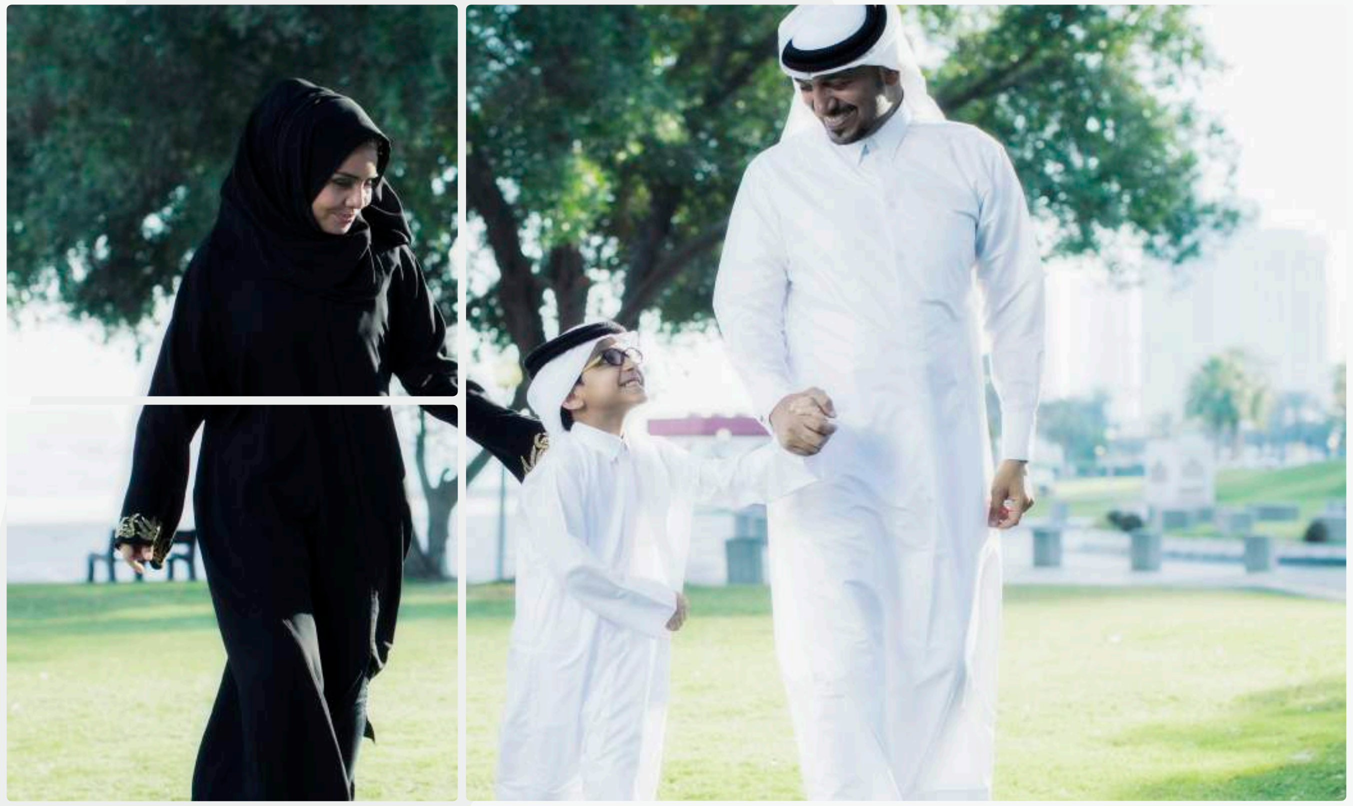
CSR

To be at the heart of the community means adopting a corporate social responsibility strategy that establishes Ahlibank and its employees as role models and ambassadors of our community.

We actively encourage all our employees to join in with our CSR initiatives and through this we have achieved positive results. Our yearly blood drive with the Blood Unit at Hamad Medical Corporation is one success that drew a good participation rate from employees who really wanted to make a difference and help save a lives.

In 2014 we continued our sponsorship of The Qatar Society for Rehabilitation of Special Needs. As the sole sponsor we are committed to this cause and donate QR 100,000 each year to this non-profit organisation.

CSR activity can also contribute to team building. This was certainly true of the 2014 Ahlibank sports day and our participation in the annual activities organised and hosted by the Qatar Central Bank.



Outlook for 2015

Our community defines us and with the launch of our new brand we have an even greater commitment to it. As a trusted Qatari Bank which has grown with this community we will strive to become a part of the everyday lives of the residents in Qatar and actively support those in need.

Risk Management

Risk management involves the identification, analysis, evaluation, acceptance, measurement, control, and management of all financial and non-financial risks that could have a negative impact on the Bank's performance and reputation. The major risks associated with Ahlibank's business are credit risk; market risk, which includes foreign exchange risk, interest rate risk, and equity price risk; liquidity risk; and operational risk.

Ahlibank's risk management policies have been developed to

- **identify and analyse these risks,**
- **set appropriate risk limits and controls,**
- **identify different approval levels, and**
- **monitor the risks and adherence to limits.**

The Risk Management function is not responsible for the complete elimination of risks that are embedded in any banking business but aims to set measures and procedures to be proactive in anticipating risks and to effectively manage these risks with the objective of minimising the impact and of earning competitive returns over the degree of assumed risk. Risk is financially evaluated as the potential impact on the Bank's income and asset value, taking into consideration changes in political, economic, and market conditions.

The risk management function relies on the competence, experience, and dedication of its professional staff; risk management best practices; sound policies and procedures; and ongoing investment in technology and training.

The Board of Directors and senior management are involved in the establishment of all risk processes and the periodic oversight and guidance of the risk management function. The Board of Directors reviews and approves at least annually the Bank's key risk management policies. The risk management processes are subject to additional scrutiny by independent internal and external auditors and the Bank's regulators, with periodic reporting to the Audit, Compliance and Risk Committee, which helps to further strengthen the risk management best practices.

The risk management control process at Ahlibank is based on detailed policies and procedures that encompass

- Business line accountability for all risks taken, whereby each business line is responsible for developing a plan that includes adequate risk/return parameters, as well as risk acceptance criteria.
- A credit risk function that entails risk identification, measurement, monitoring, follow-up, and control of each credit relationship to ensure that the approval authorisations are obtained and a uniform risk management standard exists, including risk ratings that have been correctly assigned to each credit relationship and product and that are in line with business policies that are clearly understood, monitored, and in agreement with the overall credit policy and the Board-approved risk framework.
- The ongoing assessment of portfolio credit risk and approval parameters of new products, leading to an integrated limit structure that permits management to control exposures and monitor the assumption of risk against predetermined approved tolerances. The Board of Directors establishes comprehensive limits for each major type of risk, which are then sub-allocated to individual lines of business and to business units.

The highlights of developments in the major risk areas with respect to the business—namely credit, market, liquidity, and operational risks—are as follows:

Risk Management

Credit Risk

Credit risk is the risk of potential financial loss because of the failure of a counterparty to perform according to agreed terms. It arises principally from corporate, retail, and private banking lending, trade finance, treasury, and investment activities. The credit process is consistent for all forms of credit risk to a single obligor. Overall exposure is evaluated on an ongoing basis to ensure broad diversification and the mitigation of credit risk whereby potential risk concentrations by country, product, industry, and risk grade are regularly reviewed to avoid excessive exposure and ensure broad diversification.

Credit risk is actively managed by a rigorous process from initiation to approval and disbursement, with all day-to-day management activities conducted in accordance with the Bank's well-defined Credit Policy and Credit Procedures Manual (CP & CPM), which was reviewed, amended, and synchronised with QCB's regulations in coordination with different business units to cope with the new market requirements and challenges and that details all credit approval requirements and is designed to identify at an early stage exposures that require more detailed review and closer monitoring and to establish the required provisions when they are needed.

The Risk Management Department took further steps to ensure that the scientific measurement and quantification of risk ratings are applied to credit exposures, instead of relying solely on qualitative or subjective evaluations. This has efficiently eased the quantification of the risk-return parameters and been a significant contributor to profit-generation capacities during the year.

The CP & CPM includes a robust risk rating system that is being revised so that its implementation enhances the stratification of the credit portfolio by degree of risk to monitor the credit quality and assess the commensurate pricing and aid in the prompt identification of problem exposures. The Special Assets unit is managing the non-performing loans (NPLs). The proper management of the credit portfolio and special assets resulted in decreasing the NPLs from QR 211 million as of 31 December 2013 to QR 204 million as of 31 December 2014, and impaired loans represented 1.0% of gross loans as of 31 December 2014, versus 1.4% as of 31 December 2013, which is considered the lowest ratio compared with the Qatari and GCC banking sectors.

In addition, the Credit Committee is vested with overall, day-to-day credit risk management, and its responsibilities include the following:

- Formulates and implements credit policies and the monitoring compliance of policies.
- Acts as a credit approval body for credits and investments within its delegated authority.
- Recommends to the Executive Committee all policy issues and amendments related to credit risk as well as credits falling outside its discretion.
- Determines appropriate pricing and security guidelines for all risk asset and products.
- Reviews the ongoing risk profile of the Bank as a whole and by individual products, business sectors, and countries.
- Ensures the adequacy of impaired assets provisions and makes appropriate recommendations to the Executive Committee.

Ahlibank's Risk Management Department implemented initiatives to embed a comprehensive credit risk management culture within the Bank's various lines of business and within its business units.
It is also involved in providing technical assistance to the Treasury Department by setting up bank limits in accordance with the approved credit policy and the QCB's instructions and in providing a monitoring mechanism to ensure utilisations are kept within the approved structure.

Basel II and Basel III workshops have helped to enhance the awareness of the need for compliance with Basel requirements among the Bank's business units, including the Risk Management Department, and this consequently is resulting in superior service to customers. Preparations for Basel III implementation started in early 2013 with a study of the infrastructure needed for smooth implementation on target dates required by the QCB. In addition, a full, detailed study of the behaviour of corporate banking and retail banking portfolios was made in order to come up with the probability of default (PD) by risk-rating layers and industry sectors for corporate banking and by product for retail banking. A stress-testing policy and an internal capital adequacy assessment process (ICAAP) policy were prepared and approved by the BOD and submitted to the QCB.

The efforts devoted to the overall evaluation of the Bank's credit portfolio throughout the year contributed to effective control over asset quality. The portfolio is comprehensively analysed in terms of country, industry, product, and single obligor bank to detect concentration trends and enhance diversification.
And for more efficiency, the Bank has finalised phase I implementation of its Enterprise Data Warehouse (EDW) project to have a complete data warehouse for the production of different reports, accurately and on a timely basis, to serve the decision-making processes by different departments and senior management.
The Bank's credit risk exposure is also closely monitored with a view to detect early-warning signals of delinquency, which will enable management to take early corrective action and thereby maintain a sound credit portfolio.

Market Risk

Ahlibank takes on exposure to market risk, 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 risk arises from open positions in interest 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 interest rates, credit spreads, foreign exchange rates, and equity prices. Ahlibank separates exposures to market risk into either trading or non-trading portfolios.

Given Ahlibank's ongoing low-risk strategy, aggregate market risk levels are low relative to the size of the Bank's balance sheet. The Bank utilises daily value-at-risk (VaR) models to estimate potential losses that may arise from adverse market movements, in addition to other quantitative and non-quantitative risk management techniques.

The Bank calculates VaR using a one-day holding period at a confidence level of 95%, which takes into account the actual correlations observed historically between different markets and rates.

There is also a mandatory VaR that is generated daily based upon a 10-day holding period at a confidence level of 99%. For regulatory purposes, it is utilised by the Qatar Central Bank upon its review.

Given the Bank's conservative strategy in terms of investments and trading, its aggregate market risk levels are controlled. The Bank utilises quantitative risk management techniques to assist in estimating potential losses that may arise from adverse market movements. These are considered adequate from a need perspective and the existing scope of activities.
The periodic monitoring of liquidity ratios as well as interest rate mismatches and adherence to foreign

Risk Management

exchange limits with respect to guidelines help manages possible scenarios in a proactive manner. The continued application of the Operational Processing Integrated Control System (OPICS) by the trading platform is also used by both the front- and back-office functions of the Treasury Department to capture activity.

Within the improvement process framework, the Bank is using an MYSIS-based risk system that is integrated with the treasury trading platform to utilise a single database to capture all the risks. The risk system is responsible for reviewing all end-of-day market data of foreign exchange rates, interest rates, and security prices uploaded into the main treasury trading platform and sourced from Bloomberg and used to generate the fair value reserve reports. The market risk team also independently performs hedge-effectiveness testing for the quarterly financial audit. This MYSIS-based risk system has facilitated advanced reporting and monitoring mechanisms. This has supplemented existing capabilities and has contributed to adopting quantitative analysis techniques that are in line with best practices, local markets, and regulatory requirements.

A stringent limit structure is based on conservative grounds but reflecting business needs as well as market dictates has been prescribed. The robust control and monitoring processes and the effective follow-up mechanisms that have been adopted help to effectively manage market risk.

Liquidity

Liquidity risk is the risk of being unable to meet the Bank's cash commitments without having to raise funds at unreasonable prices or sell assets on a forced basis and thereby incur fire-sale losses. It is measured by estimating the Bank's potential liquidity and funding requirements under different stress-testing scenarios. The Bank's liquidity management policies and procedures are designed to ensure that funds are available under all circumstances to meet the funding requirements of the Bank not only under adverse conditions (contingency planning) but also at sufficient levels to capitalise on opportunities for business expansion.

Prudent liquidity controls ensure access to liquidity ratios without unexpected cost effects. Liquidity projections based on both normal and stressed scenarios are performed regularly. The control framework also provides for the maintenance of a prudential buffer of liquid, marketable assets and an adequately diversified deposit base in terms of maturity profile and number of counterparties.

The Bank's Treasury Department is managing these types of risks by monitoring them through the Risk Management Department and under the jurisdiction of the Bank's Assets and Liabilities Committee (ALCO).

ALCO, which convenes on a regular, monthly basis during the year, is vested with the responsibility of ensuring adherence to the duly approved liquidity policy. The information required to make key decisions is provided in the required formats to ensure an objective assessment of the data. The presence of risk management team members along with senior management ensures that proper risk perspectives are taken into consideration in the decision-making process.

Operational Risk

Operational risk refers to losses resulting from the inadequacy or failure of internal processes and systems or the materialisation of adverse external events. The Bank maintains an efficient operational risk management framework to quantify and mitigate operational risks.

The Bank utilises an Operational Risk Self-Assessment (ORSA) process to assess, document, and report on the operational risks encountered in the course of business. This is in line with the implementation of Basel II regulations.

The Operational Risk Committee (ORC) approves ORSA annually and reviews the operational risks faced by various functions in the Bank on a periodic basis, introducing appropriate controls wherever necessary. Furthermore, the internal audit and compliance functions conduct independent periodic reviews to assess the adequacy of checks and controls.

The Bank's Business Continuity Plan (BCP) was comprehensively and periodically tested after establishing the requisite infrastructure and the successful completion of system-specific trial runs. The BCP comprises extensive plans that are designed to minimise and mitigate operational risks arising from the potential failure of communications networks and from IT systems breakdowns.This plan covers bank-wide operations and envisages scenarios of varying levels of contingency and measures to contend with the same. Additional investments in information technology to serve this purpose were implemented through the procurement of upgraded hardware. Departmental plans were also put in place during the year, providing detailed procedures for individual bank functions to be operative in case of need.

The Bank has also put in place a Disaster Recovery Plan (DRP) prescribing the recovery process and the restoration of critical computer systems, including the local area network, database servers, Internet, intranet, and e-mail, in the event of an interruption arising from an unplanned and unexpected disaster with a view to minimising the potential loss of revenue.

In 2013, the DRP and BCP were audited by an independent external auditor (KPMG) as per QCB mandate and found to be substantially compliant with QCB requirements. The essential functions of the BCP and DRP were also successfully tested in 2013 and 2014 to establish adequate levels of preparation to face a contingency scenario, thereby complying with regulatory as well as auditing requirements..

Basic firefighting training was also provided to selected staff with the assistance of the Civil Defence Authority, and an evacuation drill was conducted as part of the safety and security procedures.

The HR Department plans and provides guidelines for staff responsibilities, delegates authority, and issues training and recruitment guidelines. This comprehensive range of initiatives ensured minimal material losses as a result of identified operational risk during the year.

Corporate Governance

At the heart of the community

Introduction

The principles of corporate governance have gained international importance, in particular with reference to international Organisations, viz., the Organisation of Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS), the International Corporate Governance Network (ICGN), and the International Institute of Finance (IIF). Applying the principles of corporate governance has become a measure of performance of any financial or non-financial institution. In this context, the Qatar Financial Markets Authority (QFMA) issued on 09 March 2014 "Corporate Governance Code for Shareholding Companies Listed in the Main Market". During March 2008, the Qatar Central Bank (QCB) issued "Corporate Governance Guidelines for Banks and Financial Institutions" and additional instructions with the aim to manage banking managerial risks under corporate governance.

It is desirous in the interests of the Board of Directors (BOD) of Ahli Bank QSC (the Bank) to apply the rules and standards of corporate governance and to consider corporate governance of the utmost importance to the Bank's culture in order to improve the confidence of investors and depositors, reduce business risk, maintain an acceptable capital adequacy ratio, and strengthen transparency and disclosure.

The Bank has adopted the principle of segregation between the roles and responsibilities of the BOD and the roles and responsibilities of the executive management. The BOD supervises the development of business strategies, goals, and policies; the set-up of the Organisational structure; the formation of committees; and the delegation of authority. The BOD also monitors the implementation of strategies, goals, and policies; the evaluation of performance; the assessment of risk; the appointment and supervision of internal bank audits; and the nomination of an external auditor. The executive management implements the processes, applying the policies, reporting to the BOD, preparing the financial statements and final accounts, and attends to other day-to-day affairs of the Bank.

The Bank in Brief

Ahli Bank QSC was established on 16 June 1983 in the State of Qatar as the Qatari Shareholding Company according to Decree No. 40 of 1983 for practicing all types and kinds of banking and financial activities, and all ancillary works thereto, in the consumer and commercial sector with a capital of Qatari riyals thirty million (30,000,000). At present, Ahlibank's equity is Qatari riyals four billion forty million and three hundred seventy three thousand (4,040,373,000). This has put the Bank in an advantageous position in comparison with other banks and reflects the strength of the Bank's financial position to meet promptly the needs of customers in all sectors through its 16 branches and 52 ATMs located in different areas in the State of Qatar with a wide range of its products and services, such as retail banking, corporate banking, private banking, international banking, treasury and investment banking, wealth management, and brokerage services through its subsidiary M/S. ahli brokerage co.

In April 2014, Fitch Ratings has upgraded Ahli Bank QSC Long Term Foreign Currency Rating to A from A-; and the Short Term Foreign Currency Rating to F1 from F2. The rating agency has also enhanced the Support Rating Floor to A while affirming Viability Rating at BBB-; and Support Rating at 1. All the ratings are associated with a stable outlook. It is worth mentioning here that during December 2014, Capital Intelligence (CI), the international credit rating agency, has affirmed Ahli Bank QSC's (ABQ) Long- and Short-Term Foreign Currency Ratings at 'A' and 'A2', respectively. The agency also maintained the Support Level of '1' in view of the extremely high likelihood of support from the Bank's strong government shareholders, as well as from official sources in case of need. The Bank's Financial Strength Rating (FSR) is affirmed at 'A-', supported by the very sound and improved loan asset quality, ongoing strong profitability at both the operating and net levels, and the solid capital adequacy.

In 2014, Ahli Bank QSC has updated its brand; and formalised its vision, mission, values and identity in a new form reflecting its aspirations to be always "at the heart of the community" and "with you" by providing the right products and best possible services to its customers; and to be actively involved in the Qatari community.

Corporate Governance

The BOD consists of eight members, whose memberships extend for three years. Six members are appointed through election, and two members are appointed by the Qatar Foundation for Education, Science and Community Development (QF) as its representatives. The following table furnishes the details of the Board members as of 31 December 2014:

Board of Directors

Name	Title	Current Appointment	Expiry of Current Appointment	Status
Sh. Faisal Abdulaziz Jassim Al-Thani	Chairman & Managing Director	2014	2017	Independent
Sh. Nasser Ali Saud Al-Thani	Deputy Chairman	2014	2017	Non-executive
Sh. Fahd Falah Jasim Al-Thani *	Member	2014	2017	Independent
Sh. Jassim Mohammed Hammad Al-Thani	Member	2014	2017	Independent
Mr Ahmed Abdulrahman Nasser Fakhro Al-Thani	Member	2014	2017	Non-executive
Mr Victor Nazeem Agha	Member	2014	2017	Non-executive
Sh. Faisal Thani Faisal Al-Thani	Member	2014	Upon notification from QF	Independent
Mr Fahd Saad Al-Qahtani	Member	2014	Upon notification from QF	Independent

*On 2nd October 2014, the BOD member Sh. Mohammed Falah Jassim Al-Thani has been replaced by Sh. Fahd Falah Jassim Al-Thani.

Corporate Governance

Terms of Reference of the Chairman

The following terms of reference pertain to the chairman:

1 To call for BOD meetings.

2 To supervise and approve the agenda of the BOD meetings and issues for discussion during the meeting.

3 To start the discussion in the BOD meetings.

4 To ensure that the available information required by BOD members related to the issues under discussion is adequate and correct.

5 To supervise the flow of discussion in the BOD meetings and ensure that the issues have been discussed effectively and in a suitable time.

6 To encourage members of the BOD to attend all BOD meetings and the meetings of the committees emerging from the Board, to ensure that the members are sharing their missions and responsibilities in an effective manner, and to promote positive relationships among BOD members.

7 To sign the BOD resolutions.

8 To communicate with the shareholders and convey their opinions to the BOD.

9 To supervise the annual assessment of the performance of the BOD.

10 To sign the quarterly, semi-annual, and annual financial statement of the Bank.

11 To present the report of the BOD to the shareholders in the general assembly meetings.

12 To accept authority to sign on behalf of the Bank.

Delegated Powers of the Managing Director

The chairman has the following delegated powers in the role of managing director:

1 To present to the BOD the Bank's strategies and business plans in consultation with the executive management of the Bank and to follow up on the implementation to achieve the Bank's objectives.

2 To support the executive management, represented by the chief executive officer (CEO) and the BOD committees, and to overcome obstacles in achieving the Bank's objectives and strategies while ensuring that there is complete separation of the tasks and responsibilities between the managing director and the day-to-day executive management, which is the responsibility of the CEO, in compliance with the corporate governance framework.

3 To specify the policies and objectives related to incremental changes in the Bank's capital, to put in place the Bank's future plans for acquisitions and long-term investments in consultation with the executive management, to present the same to the BOD for approval, and to follow up on the implementation of such policies through specific mechanisms and overcome any related obstacles in order to achieve the Bank's objectives.

4 To represent the Bank and its BOD in the Bank's relationships with external bodies, regulatory bodies, and senior shareholders to achieve the Bank's objectives.

Corporate Governance

Terms of Reference of the Board of Directors

The BOD conducts its activities as per its charter, the BOD Manual, the contents of which will follow later in this report. The table below highlights the important missions and responsibilities of the BOD:

1. Provide business strategies, objectives, and policies and occasionally review and develop such strategies and policies. Adopt internal control systems and supervise and review on an annual basis.
2. Adopt the Organisational structure of the Bank. Evaluate, develop, and identify the tasks and powers, duties and responsibilities.
3. Form committees; establish their work programs; determine their powers, duties, and responsibilities; and delegate decision-making powers, defining the authority level to sign on behalf of the Bank and for moving funds.
4. Evaluate current and future risks that the Bank might be exposed to and adopt risk and compliance policies and procedures.
5. Supervise the development, implementation, and evaluation of work programs and procedures and verify their adequacy and appropriateness.
6. Appoint the internal audit and supervise and ensure its impartiality and independence.
7. Nominate the external auditor, who must be specialists and highly qualified, and contract with it and determine its fees.
8. Review reports of the executive management, internal audit, and external audit and approve the final financial statement of the Bank.
9. Verify the accuracy and credibility of the financial statements of the Bank and of its business results to safeguard the rights of the depositors and shareholders.
10. Ensure transparency in the disclosure of all significant matters that affect the performance of the Bank and its business results, including its obligations, transactions, and conflicts of interests with related parties.
11. Support and clarify the values of the Bank's corporate governance and code of ethics and business conduct through the adoption of corporate governance policies.
12. Organise the nomination process for BOD members with transparency and disclosure of information concerning the nomination procedures to the shareholders.
13. Carry out any functions or responsibilities that it considers are necessary to achieve the objectives of the Bank

In addition to the above, non-executive BOD members are to provide special attention to the following responsibilities:

1. To express independent opinion about the Bank's strategies, policies, performance assessment, and sufficiency of human resources in terms of the approved work standards.
2. To give priority to the interests of the Bank and its shareholders in the event of conflict of interest between the Bank and related parties.
3. To supervise the Bank's performance in achieving its goals; to review the Bank's periodical performance reports; and to make available their expertise, experience, specialisations, and qualifications for the benefit of the Bank and its shareholders.
4. To supervise and develop the rules and procedures of corporate governance and to assess the effectiveness of their application.

The BOD is primarily responsible to the shareholders and other parties, including the Qatar Central Bank (QCB), the Qatar Financial Market Authority (QFMA), the Qatar Exchange (QE), and other official bodies in the State of Qatar. It should be noted that there is a separation of responsibilities between the positions of the chairman and the CEO of the Bank, as these positions are handled by two different individuals.The BOD is to hold at least six meetings in the financial year in accordance with Article 36 of the Bank's Memorandum and Articles of Association, and as per Article 37 all the Board meetings shall be convened (even for which a provisional date is decided as stipulated in Article 36) upon a call made by the chairman or the vice chairman in the absence of the first or if requested by two members through notice of the two members to each member at his/her address registered in the company's records at least 15 days prior to the date of the proposed meeting, stating the date, time, and the place of the meeting. The notice must contain a summary of the proposed agenda of the meeting, and if possible copies of any documents relating to the agenda of the meeting shall be distributed to the members at a time sufficiently before the date of the meeting.

In this context, the BOD met six times in 2014.The BOD has appointed a board secretary whose functions include recording the minutes of all the BOD meetings and safekeeping the records, books, and reports submitted by or to the BOD. Under the direction of the chairman, the board secretary is also in charge of ensuring timely access to information and of coordinating among the BOD members as well as between the BOD and the other stakeholders in the Bank, including shareholders, managers, and employees. The board secretary has a bachelor's degree in Law - Lebanon, and he has more than 13 years of experience in the legal field and he held several senior positions in local and international companies both as a legal counsel and board secretary and he attended several courses related to acting as board secretary.

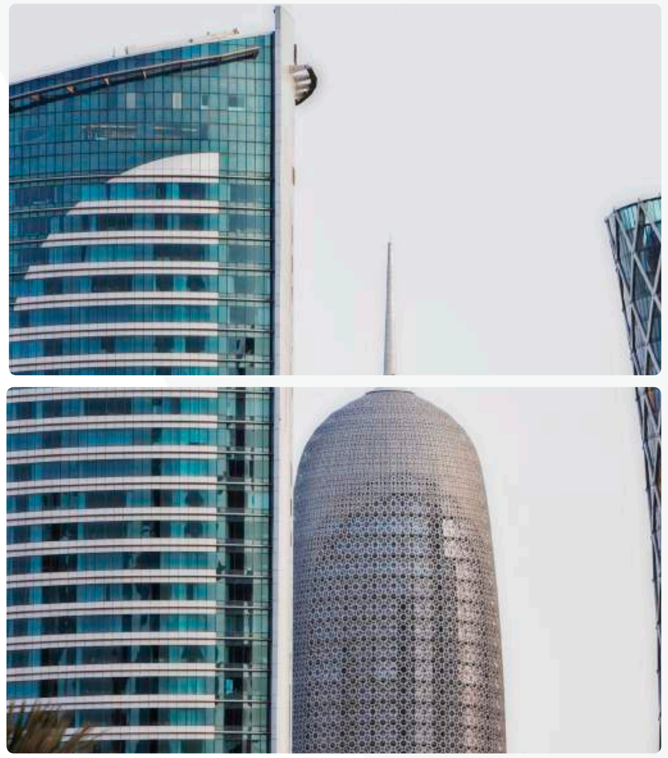
Corporate Governance

Other Missions and Duties of the Board of Directors

According to Article 33 of the Bank's Memorandum and Articles of Association, BOD members have the power to access the information, documents, and registers of the Bank.

All BOD members must attend the general assembly meetings, including the heads of the committees emerging from the BOD. Separate attendance letters are sent to the Department of Company Supervision at the Ministry of Economy and Trade, the QCB, the external auditor, the QFMA, the QE, and such of the senior management of the Bank as CEO, DCEOs, internal audit manager, etc.

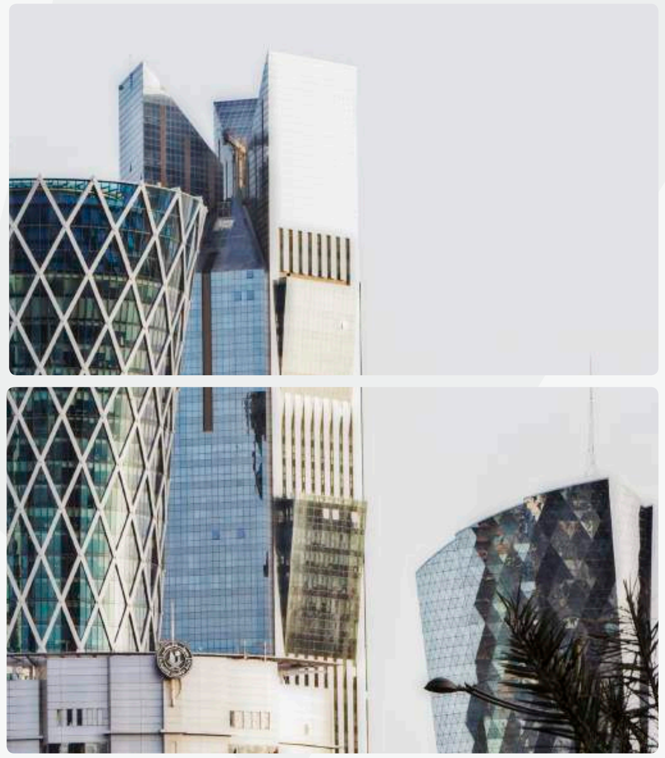
The Bank's BOD Manual has been issued and distributed to all BOD members to ensure that they have suitable understanding of the Bank's flow of work and operations and of their terms of reference. The BOD Manual contains the following issues:



Sr.	Issues
1	Memorandum and Articles of Association of the Bank
2	QCB Law
3	QCB Instructions and Guidelines on Corporate Governance
4	QFMA Corporate Governance Code
5	BOD Terms of Reference
6	Terms of Reference of the Committees Emerging from the BOD
7	Terms of Reference of the Committees of the Executive Management
8	Personal Account Dealing Policy
9	Whistle-Blowing Policy and Procedures
10	Conflict of Interest Policy
11	Corporate Governance Policy

The BOD terms of reference in the BOD Manual's general framework include that BOD members be professionally qualified and have suitable knowledge and experience to enable them to carry out their supervisory duties. They also must have the ability to work cooperatively with other professionals regarding the Bank's strategies; operational activities; risk assessment and management; financial reports and communications; and compliance with laws, regulations, and accounting standards. In addition, they have to provide adequate time to execute their responsibilities towards the Bank.

Each BOD member owes the Bank the fiduciary duties of care, loyalty, and compliance with the rules set out in related laws and regulations, including the QFMA Code and BOD Manual.



BOD members at all times must act on an informed basis, in good faith, with due diligence and care, and in the best interests of the Bank and all shareholders.

BOD members must act effectively to fulfill their responsibilities towards the Bank.

The Bank's Articles of Association clearly spell out what constitutes the resignation of a BOD member because of absences from BOD meetings. Article 35 states in this regard that, "Where a Board member absents himself for three consecutive meetings of the Board or five non-consecutive meetings without an excuse that was accepted by the Board, the absenting Board member will be deemed to have resigned from the Board".

Corporate Governance

Overviews of Practical Experience of Members of the Board of Directors

01 Sheikh Faisal Abdulaziz Jassim Al-Thani

Chairman & Managing Director
Head of the Policies, Development and Remuneration Committee
Head of the Tender Committee

Holds a bachelor's degree in finance, 2003, from Suffolk University, Boston, USA; chairman of M/S. Gulf American Company for Trading and Contracting, Qatar; chairman of M/S. FBA Company, Qatar; former member of Ahlibank's Audit Committee, Doha, Qatar.

02 Sheikh Nasser Ali Saud Al-Thani

Deputy Chairman
Head of the Executive Committee
Member of the Tender Committee

Chairman and managing director of M/S. Qatar General Insurance and Re-Insurance Compa ny, Qatar; chairman of M/S. World Trade Centre, Qatar; board member of M/S. Trust Bank, Algeria; board member of M/S. Trust Insurance Company, Algeria; partner and board member of M/S. Al-Sari Trading Company, Qatar; partner and board member of M/S. General Contracting Company (GENCO), Qatar.

03 Sheikh Fahd Falah Jassim Al-Thani

BOD Member

Holds a bachelor's degree in finance, from George Washington University, USA; board member of M/S. Al-Majal International Trading and Contracting Co., Qatar; board member of M/S. Doha Restaurants, Qatar; board member of M/S. Touristic Investment Co., Qatar; board member of M/S. Damsa International, Qatar; board member of M/S. Galaxy Cleaning and Maintenance Co., Qatar.

04 Sheikh Jassim Mohammed Hamad Al-Thani

BOD Member
Member of the Audit, Compliance and Risk Committee

Holds a bachelor's degree in trade; board member of M/S. Trans Orient Establishments, Qatar; board member of M/S. Jassim Bin Mohammed and Partners, Qatar.

05 Mr Ahmed Abdulrahman Nasser Fakhro

BOD Member
Member of the Executive Committee
Member of the Policies, Development and Remuneration Committee
Member of the Tender Committee

Board member of M/S. Qatar Cinema and Film Distribution Company, Qatar; former minister plenipotentiary in M/S. Ministry of Foreign Affairs, Qatar.

06 Mr Victor Nazeem Agha

BOD Member
Member of the Executive Committee

General director of M/S. Al-Sadd Travel Agency, Qatar; general director of M/S. Al-Sadd Exchange Company, Qatar; board member of M/S. Doha Insurance, Qatar; board member of M/S. Al-Zubara for Real Estate Investment, Qatar; former board member of Al-Sadd Sports Club, Qatar.

07 Sheikh Faisal Thani Faisal Al-Thani

BOD Member
Member of the Policies, Development and Remuneration Committee

Holds a bachelor's degree in business, Washington, USA; Deputy Chief Investments Officer in M/S. Qatar Foundation for Education, Science and Community Development, Qatar; experience of (3) years as Assistant Investment Manager at Qatar Central Bank, Qatar; board member of M/S. Qatar Foundation for Education, Science and Community Development, Qatar.

08 Mr Fahd Saad Al-Qahtani

BOD Member
Member of the Audit, Compliance and Risk Committee

Holds a bachelor's degree in engineering management; Group Executive Director - Administration of M/S. Qatar Foundation for Education, Science and Community Development, Qatar; board member of M/S. Qatar Foundation for Education, Science and Community Development, Qatar.

Corporate Governance

Attendance Percentage of Directors in BOD Meetings

The following table shows the attendance percentage of directors in BOD Meetings:

Name	Title	Attendance Percentage
Sh. Faisal Abdulaziz Jassim Al-Thani	Chairman & Managing Director	6/6
Sh. Nasser Ali Saud Al-Thani	Deputy Chairman	6/6
Sh. Fahd Falah Jasim Al-Thani *	Deputy Chairman	3/6
Sh. Jassim Mohammed Hamad Al-Thani	Member	4/6
Mr Ahmed Abdulrahman Nasser Fakhro	Member	6/6
Mr Victor Nazeem Agha	Member	6/6
Sh. Faisal Thani Faisal Al-Thani	Member	4/6
Mr Fahd Saad Al-Qahtani	Member	4/6

* On 2nd October 2014, the BOD member Sh. Mohammed Falah Jassim Al-Thani has been replaced by Sh. Fahd Falah Jassim Al-Thani; the percentage represents their combined attendance during the year.

Committees of the Board of Directors

The BOD has four committees, viz., the Executive Committee; the Audit, Compliance and Risk Committee; the Policies, Developments and Remunerations Committee; and the Tender Committee. Profiles of these committees are as follows:

Executive Committee

The Executive Committee consists of the following three members:

Name	Title	Attendance Percentage
Sh. Nasser Ali Saud Al-Thani	Head of Comittee	3/3
Mr Ahmed Abdulrahman Nasser Fakhro	Member	3/3
Mr Victor Nazeem Agha	Member	2/3

Responsibilities of the Executive Committee:

1. Manage and operate the Bank according to the annual budget, business plan, and instructions relating to financial, administrative, operational, and credit policies approved by the BOD.
2. Exercise the powers delegated by the BOD in granting, renewing, and following up of credit and in investing and placing funds, which are in excess of the powers of the executive management.
3. Approve the systems and various banking products, plans, and budgets within the wapproved policy of the BOD.
4. Accept any other responsibilities delegated to the committee by the BOD to achieve the objectives of the Bank.

The Executive Committee meets three times a year. The head of the committee or his representative may convene a non-scheduled meeting of the committee if necessary. In this context, the Executive Committee met three times in 2014.

Corporate Governance

Audit, Compliance and Risk Committee

The Audit, Compliance and Risk Committee consists of the following three members:

Name	Title	Attendance Percentage
Sh. Mohamed Falah Jasim Al-Thani *	Head of Comittee	2/4
Sh. Jassim Mohammed Hamad Al-Thani	Member	3/4
Mr Fahd Sadd Al-Qahtani	Member	3/4

* BOD is in the process of appointing a replacement for the Head of the Committee, upon his resignation dated 02/10/2014.

Responsibilities and delegated powers of the Audit, Compliance and Risk Committee:

1 Review and submit recommendations to the BOD on the appointment of an external auditor and on audit fees. Evaluate the external auditor regarding qualifications, experience, resources, independency, objectivity, and effectiveness and reply to any queries regarding non-continuing or terminating the contract of the external auditor.

2 Review and discuss the financial statement prior to submission to the BOD, particularly regarding
- Any changes in accounting policy and procedures
- Any important amendments during an audit
- Complying with accounting standards
- Complying with QCB and QFMA instructions
- Complying with legal and regulatory requirements applied in the State of Qatar

3 Discuss the observations and reservations pointed out during audit stages or in the final report and any issues that the committee would like to discuss with the external auditor.

4 Review the contents of the regular reports prepared by the regulators and the Bank's responses.

5 On an annual basis, review the adequacy of the internal audit scope and plan, ensuring coordination between the external and internal audits and that the internal audit function has sufficient resources to effectively carry out its responsibilities.

6 On an annual basis, review the adequacy of the compliance scope and monitoring program, including the required training, monitoring, and reporting, and that the compliance function has sufficient resources to effectively carry out its responsibilities.

7 On an annual basis, review the adequacy of the risk management plan and arrange to provide risk functions with sufficient resources to meet the annual risk management plan.

8 Discuss the results of the internal audit, compliance and risk reports, any required special reports, and executive management responses, especially the points that have been marked as high risk, and follow up on the implementation of the agreed-upon points within the time limits set forth.

9 Review the policies and procedures adopted by executive management to apply the regulatory instructions, AML and CFT instructions, and financial report requirements.

10 Review the scope of the internal audit and compliance and risk function and the job description of the heads of these departments.

11 Submit to the BOD any issues related to the committee's scope that it finds necessary to inform the BOD about so that the BOD may arrive at a suitable decision on those issues.

12 Ensure that there are policies put in place tomanage all types of risks that the Bank may face and that those policies are consistent with the legal and regulatory requirements and effective in internal control and risk management.

13 Review the reports submitted by risk management and discuss the steps that have been taken by management to evaluate, monitor, and control credit risk, operational risk, and market risk.

14 Discuss any issues submitted to the committee by the BOD.

15 Submit recommendations to the BOD regarding the resignation or the termination of the internal audit manager, the head of compliance, and the head of risk and their employees.

16 Evaluate the performance of the internal audit manager, the head of compliance, and the head of risk to approve their salaries and rewards and other related issues pertaining to them and their employees (subject to the Bank's applied policy on salaries and rewards).

17 Review the arrangements that enable employees to report with trust any violation in the financial reports or other important issues and ensure that arrangements are in place to conduct independent investigations regarding such issues.

The Audit, Compliance and Risk Committee will normally meet at least four times during the year; additional meetings may be convened if necessary. In this context, the committee met four times in 2014.
It should be noted that all members of the Audit, Compliance and Risk Committee are independent.

Corporate Governance

Policies, Development and Remuneration Committee

The Policies, Development and Remuneration Committee consists of three members:

Name	Title	Attendance Percentage
Sh. Faisal Abdulaziz Jassim Al-Thani	Head of Comittee	3/3
Sh. Faisal Thani Faisal Al-Thani	Member	2/3
Mr Ahmed Abdulrahman Nasser Fakhro	Member	3/3

Responsibilities of the Policies, Development and Remuneration Committee:

1. Study, prepare, and develop strategies and objectives, policies, systems, plans, and budgets based on the directives of the BOD.
2. Approve the general structure of the rewards, incentives, and remunerations system according to the Bank's Memorandum and Articles of Association, QCB instructions, and the Corporate Governance Code.
3. Approve and update when necessary procedures and controls in providing rewards and bonuses.
4. Recommend to BOD, the total amount of the rewards and bonuses as per the applied annual appraisal.
5. Recommend the BOD and its committees' rewards and allowances.
6. Specify rewards and bonuses to be paid to the CEO and his deputies and to the internal audit manager, the head of compliance, and the head of risk as per the applied annual appraisal.
7. Handling the terms of reference of the Nomination Committee (see the Nomination Committee).
8. Assume any other responsibilities delegated to the committee by the BOD to achieve the objectives of the Bank.

The Policies, Development and Remuneration Committee meets three times during the year. The head of the committee or his representative may invite the committee for an unscheduled meeting if necessary. In this context, the committee met three times in 2014

Tender Committee

The Tender Committee consists of three members:

Name	Title
Sh. Faisal Abdulaziz Jassim Al-Thani	Head of Comittee
Sh. Nasser Ali Saud Al-Thani	Member
Mr Ahmed Abdulrahman Nasser Fakhro	Member

Responsibilities of the Tender Committee:

1. Receive tender and purchasing quotations and register them.
2. Review the sale and purchase quotations of the lands and real estate owned by the Bank or that the Bank wishes to own and submit the necessary recommendations to the BOD.
3. Review and approve the administrative, financial, and technical conditions regarding all tenders and bidding.

Delegated powers of the Tender Committee:

1. Review and approve the tenders and purchasing orders for budgeted amounts exceeding Qatari riyals four hundred thousand (400,000).
2. Review and approve the tenders and purchasing orders for unbudgeted amounts exceeding Qatari riyals two hundred thousand (200,000).
3. Approve the committees authorised to open the tenders and bids submitted to the Tender Committee.
4. In submitting recommendations to the appropriate authority, enforce its right not to select the lowest quotation, providing in such cases justification of its recommendation.

The Tender Committee will conduct its meetings as per the request of the head of the committee, the CEO, and the BOD or whenever necessary.

Corporate Governance

Nomination Committee

The function of the Nomination Committee is being handled by the Policies, Development and Remuneration Committee, below is a summary of the terms of reference:

1. Approve the date of opening and closing the period for nomination to BOD membership.

2. Receiving the nomination requests for BOD membership, including the following:
   - The Form "Evaluation of the Nominee to BOD Membership".
   - Copy of the Form "Personal Information of Candidates for Board of Directors and Major Shareholder".
   - Copy of the Qatari Identification Card and the Curriculum Vitae (CV) of the nominee to BOD membership.

3. Evaluating the Nominees to the BOD membership upon the principle of "Fitness" and "Properness", taken into consideration the following
   - The age of the Nominee should not be less than twenty one years old, the Nominee should not have been convicted of a criminal offense or crime involving moral turpitude and the Secretariat or the crimes referred to in Articles (324) and (325) of the Commercial Companies Law No. (5) for the year 2002, unless has been rehabilitated.
   - The Nominee should be the owner of a number of shares not less than %1 of the Bank's capital.
   - The Nominee should not be as chairman or member of the Board of Directors in more than four companies.
   - The Nominee should be "Fit": the nominee should not be insolvent or bankrupt,and has not been rehabilitated or facing bankruptcy proceedings within the past three years.
   - The Nominee should be "Proper": the nominee should have personal qualities commendable such as professional competence and integrity and reputable scientific and professional qualifications and appropriate experience, and to be able to understand the products and services offered by the Bank and the regulatory framework of the Bank's activity, legislation and laws and control material related to the financial markets.
   - The Bank did not settle or write-off the debts of the Nominee, or has previously sued the Bank.

4. When the evaluation process is completed, the Committee shall submit the evaluation findings and recommendations to the BOD, which in turn notify Qatar Central Bank the list of the names of all the Nominees, along with the Form "Personal Information of Candidates for Board of Directors and Major Shareholder", the required documents and the above evaluation findings and recommendations, two weeks prior to the date of the General Assembly, such list is to be signed by the Chairman.

5. Nominating the Chairperson and members of the BOD committees, taking into consideration the nature of the function of the Committee and the appropriation of member to the work of the Committee.

6. Reconsider the membership of the BOD Committees' members whenever required.

Corporate Governance

Bank's Policy on Related Parties and Conflicts of Interest

The Bank's policy on related parties and conflicts of interest, as approved by the BOD, covers the following:

1 Personal Account Dealing Policy: This policy defines disclosure and undertaking in investment activities (through a prescribed form), in addition to the rules and procedures for practicing these activities. The policy also covers dos and don'ts in banking activities as well as closed periods and the insider register, which is under the responsibility of the head of compliance.

2 Whistle-Blowing Policy and Procedures: The principle of whistle blowing in the event of any prohibited, illegal, and non-occupational practice is covered in this policy and its procedures, and employees who report such practices/activities are fully protected by the Bank. Based on this policy and procedures, the Bank constitutes an independent committee to investigate such reports and recommends the disciplinary action, up to dismissal, of the employee indulging in such prohibited, illegal, and non-occupational practices. This includes the standards to be complied by the staff with regard to corporate governance, ethics, integrity, and credibility while practicing banking activities. It also covers the prohibited, illegal and non-occupational practices that lead to misconduct and misbehaviour, including the practices that lead to conflict of interest between employees and the Bank or with clients or any other parties.

3 Commercial Companies Law: The Bank is committed to the Commercial Companies Law No. 5/2002 and in particular to the contents of Article 108 of the law, which describes what needs to be followed in the event of any interests occurred, directly or indirectly, to the chairman, BOD members, or senior managers in any contracts or projects where the Bank has an interest (as per a disclosure form prepared in this regard).

4 QCB Instructions: The details of facilities granted to the chairman and BOD members and their families and relatives are submitted to the BOD in each meeting to ensure that these facilities are in accordance with the limits and controls set by the Qatar Central Bank.

5 Code of Ethics and Business Conduct: All employees have signed this code confirming that they understand and will comply with its contents, which also makes it obligatory for them not to use any insider information for personal benefit to prevent conflicts of interest.

6 Staff By-Law: Article 116 of Chapter 10 of this by-law prohibits practices by employees, within the Bank or with any parties outside the Bank, that 7 Communication Policy: This policy lays down the hierarchical communication channels for the senior staff of the Bank with their related parties.

7 Communication Policy: This policy lays down the hierarchical communication channels for the senior staff of the Bank with their related parties.

Internal Control

The Bank follows internal control procedures approved by the BOD. The Board of Directors and senior management are involved in the establishment of all risk processes and the periodic oversight and guidance of the risk management function. Risk management provides its recommendations under the supervision of the Audit, Compliance and Risk Committee, and those recommendations, as well as the Bank's key risk management policies, are reviewed and approved by the Board of Directors at least once a year.

Risk management involves the identification, analysis, evaluation, acceptance, measurement, control, and management of all financial and non-financial risks that could have a negative impact on the Bank's performance and reputation. The major risks associated with the Bank's business are credit risk, operational risk, and market risk, which includes foreign exchange, interest rate, and equity price risks and liquidity risk and reputational risk.

The Credit and Investment Committee is vested with overall day-to-day credit risk management. The Bank is in full compliance with Basel II and is in the process of implementing Basel III capital adequacy guidelines and calculations according to the timeline set by BCBC and QCB guidelines. The Bank is performing quarterly stress tests as per its policies and semi-annually as per the QCB's instructions. Management of material problem exposures and repayment defaults are handled by a special assets unit, and all exposures are subject to monthly exposure reports and reviews.

The Bank is adopting stringent and conservative limit structure parameters that take into consideration business needs and market forces.
The Operational Risk Committee approves the Operational Risk Self-Assessment annually and reviews the operational risks faced by various functions in the Bank on a periodic basis, introducing appropriate controls wherever necessary. Furthermore, the internal audit and compliance functions conduct independent periodic reviews to assess the adequacy of checks and controls.

Both the Disaster Recovery Plan and Business Continuity Plan are audited by the external auditor and the QCB on an annual basis.

The Bank's ALCO convenes on a regular basis during the year and is vested with the responsibility of ensuring adherence to the duly approved liquidity policy.

The following are the important control issues that have been submitted to the BOD during 2014 to strengthen the internal controls in the Bank:

1 Approving the "Investment Strategy".
2 Approving the "Risk Management Strategy".
3 Approving the "Risk Appetite"
4 Updating the "Code of Ethics and Business Conduct"
5 Approving the "ICAAP"
6 Updating the "Communication Policy".
7 Updating the "Credit and Investment Policy".
8 Updating the "Operational Risk Policy".
9 Updating the "Business Continuity Management (BCM) Policy".
10 Updating the "Liquidity Policy".
11 Updating the "AML & CFT Policy and Procedures Manual".
12 Updating the "Trade Book Policy".

Corporate Governance

Internal Audit

The Internal Audit Department of the Bank is an independent department reporting to the Audit, Compliance and Risk Committee of the BOD. The roles and responsibilities of the Internal Audit Department have been approved by the Audit, Compliance and Risk Committee, as has its annual plan, which is based on risk and covers all the activities of the branches, departments, and divisions of the Bank. The Audit, Compliance and Risk Committee identifies the bonuses and allowances of the members of the Internal Audit Department.

Compliance

Compliance is an independent function under the supervision of BOD, through the Audit, Compliance and Risk Committee emerged from the BOD. Compliance Department functions according to its “Compliance Policy” and “Compliance Monitoring Program” which is based on risk perception. Both the Policy and Monitoring Program are approved by BOD. Head of Compliance is reporting directly to the Audit, Compliance and Risk Committee and attend their meeting for discussing the reports. In addition, Compliance Department is responsible about evaluating the Bank’s policies and procedures to ensure that the applicable laws, regulations and standards are fully complied.

Anti-Money Laundering and Combating Financing of Terrorism (AML & CFT)

Ahlibank is adopting a comprehensive and effective internal controls in anti-money laundering and combating financing of terrorism through its “AML & CFT Policy and Procedures Manual” approved by BOD.

External Auditor

Prior approval is obtained from the Qatar Central Bank for the nomination of an external auditor. The name of the nominated external auditor is provided to the general assembly with the recommendation of the BOD for agreement to appoint. The period of appointment should not exceed five years as per Qatar Central Bank instructions, and an external auditor will not be considered for reappointment until completion of two years from the end of its last assignment. Chapter 6 of the Memorandum and Articles of Association of the Bank determine the mechanisms for appointing the external auditor; for assigning its duties; and for authorising its right to access at any time the Bank’s books, records, and other documents and to attend general assembly meetings and give its opinion on the audit of the Bank.

M/S. KPMG is the external auditor of the Bank for the financial year ended 31 December 2014. The Audit, Compliance and Risk Committee discuss the external auditor’s report and submits its recommendations on that report to the BOD.

The external auditor is independent and attends general assembly meetings of the Bank. The Bank, as per the instructions of the Qatar Central Bank, does not enter into any financial transactions with the external auditor or provide any facilities to it, its employees, or their family members to avoid any conflicts of interest.

Disclosure

The Bank complies with Article No. 46 of its Memorandum and Articles of Association and with Article No. 121 of the Commercial Companies Law No. 5/2002 by making available a detailed report supported by a report from the external auditor that includes the required information about BOD members and senior managers. The external auditor’s annual report states that they had access to all necessary information to give their opinion on the Bank’s financial statements and that the Bank has complied with International Financial Reporting Standards. The financial report is made available at the Bank’s head office to all shareholders and customers and on the Bank’s website. The financial report is also distributed to the shareholders at the general assembly meeting.
It is worth mentioning here that there were no violations during the financial year ended 31 December 2014 in terms of the Bank’s Memorandum and Articles of Association, Commercial Companies Law No. 5/2002, Qatar Central Bank Law No. 13/2012, and Qatar Central Bank regulations that would materially affect the Bank’s activities or financial position.

Corporate Governance

The following table shows the shares held by the Bank's BOD members and executive managers as of 31 December 2014:

No.	Name	Position	Shares
01	Sheikh Faisal Abdulaziz Jassim Al-Thani	Chairman & Managing Director	1,749,151
02	Sheikh Nasser Ali Saud Al-Thani	Deputy Chairman	1,763,732
03	Sheikh Fahd Falah Jassim Al-Thani	Representing M/S. Al-Maha Capital Company, BOD Member	3,233,009
04	Mr. Ahmed Abdulrahman Nasser Fakhro	BOD Member	3,303,950
05	Mr Victor Nazeem Agha	Representing M/S. Al-Zubara for Real Estate Investment, BOD Member	1,669,766
06	Sheikh Jassim Mohammed Hamad Al-Thani	Representing M/S. Group of Tran Orient Companies BOD Member	1,749,147
07	Sheikh Faisal Thani Faisal Al-Thani	Representing M/S. Qatar Foundation for Education, Science and Community Development (QF) BOD Member	48,592,700
08	Mr Fahd Saad Al-Qahtani	Representing M/S.Qatar Foundation for Education, Science and Community Development (QF) BOD Member	48,592,700
09	Mr Abdullah Mohd. Salman Al-Mahmied	Executive Manager, Administration	3,443
10	Shafi Mubarak Shafi Al-Shafi	Executive Manager, Government Relations & Corporate Affairs	130

Corporate Governance

Capital Structure

The capital structure of the Bank as of 31 December 2014 was as follows:

Name	Number of Shares	Nominal Value of Shares (QR)
Qatari firms and individuals and others (No shareholder owns more than 2% of the Bank's capital)	87,452,303	874,523,030
Qatar Foundation for Education, Science and Community Development	48,592,700	485,927,000
Qatar Holding Company (Subsidiary of Qatar Investment Authority)	29,152,500	291,525,000
Total	**165,197,503**	**1,651,975,030**

Legal Structure

The legal structure of the Bank and its subsidiaries is as follows:

Name	Legal Status
Ahli Bank QSC	Qatari Shareholding Company (Ahlibank was established 16 June 1983 according to Decree No. 40 of 1983, commenced its activities on 4 August 1984, and is licensed by the QCB to conduct banking activities as per QCB reference No. RM./13/1984.)
Ahli brokerage co.	Single-person company and subsidiary company wholly owned by Ahli Bank QSC (ahli brokerage co. was established with capital of QR 50 million with the approval of the QCB and is licensed by the QFMA under membership in the QE and commenced trading securities on 24 July 2011.)

Shareholders' Rights

The shareholders' register is available to view for the shareholder in the Bank premises during the official working hours of the Bank, and any interested party has the right to request to correct the data in the register, especially if a person is added or deleted from the register; without justification, as per Article 13 of the Bank's Memorandum and Articles of Association. Also, the shareholder can get a free copy of the Bank's Memorandum and Articles of Association. As the Bank is listed on the Qatar Exchange, the Bank complies with the internal regulations of the Qatar Exchange and the rules, regulations, and instructions governing the trading of securities in the State of Qatar by disclosing and providing the required information and documents to all its shareholders.

Also, Chapter 5 of the Bank's Memorandum and Articles of Association stipulates that every shareholder has the right to attend the general assembly, to be treated fairly, to exercise the right to vote, and to elect BOD members. Chapter 7 includes the shareholders' rights on the distribution of profits through dividends proposed by the BOD in the general assembly meeting. Under the terms of Article 52 of the Memorandum and Articles of Association of the Bank, the Board of Directors may call for a general assembly meeting whenever necessary. The Board of Directors will also call for a general assembly meeting whenever the external auditor requests or upon the request of a number of shareholders holding not less than 10% of the Bank's capital, on condition that the external auditor or such shareholders have significant reasons justifying their requests.

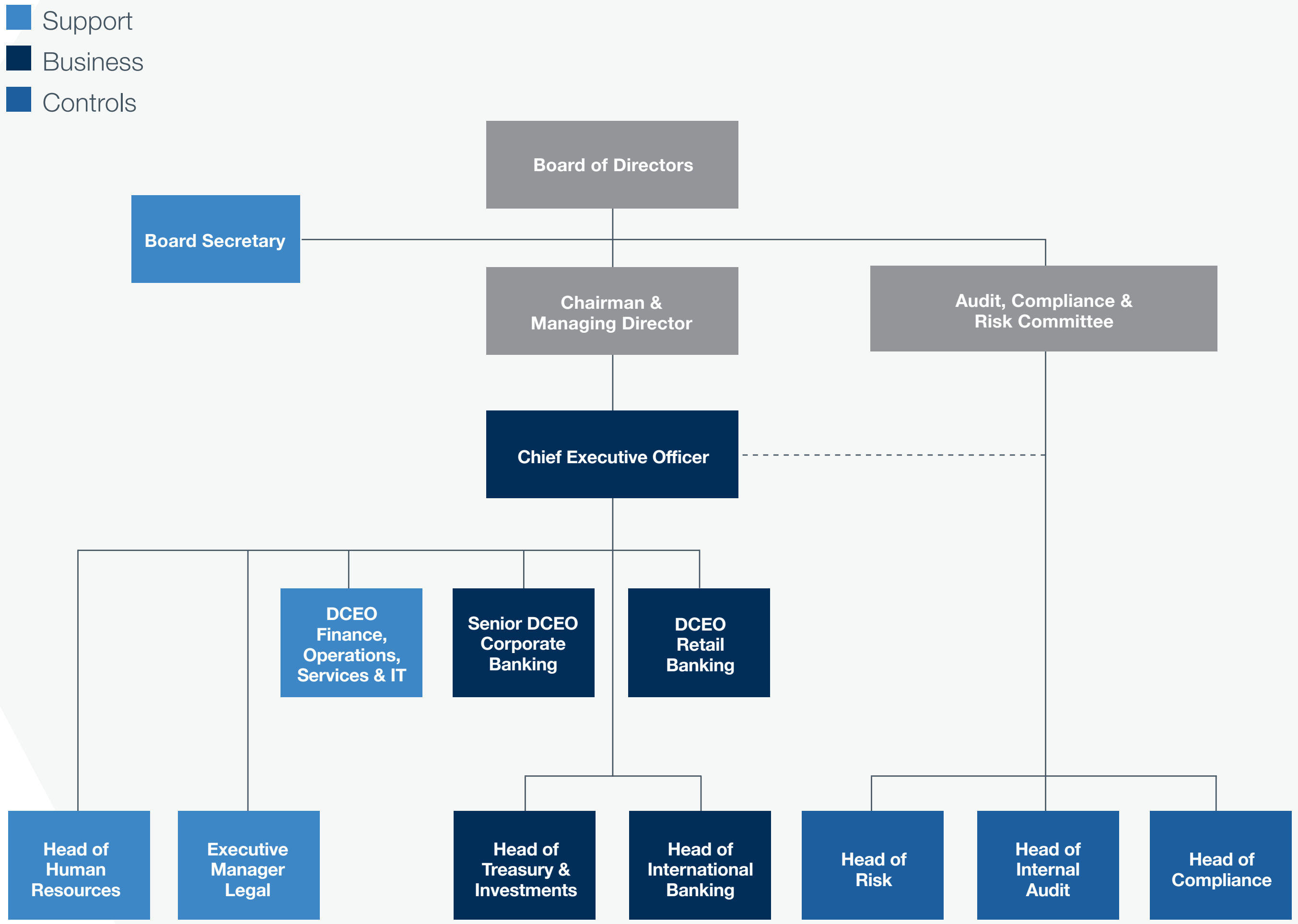
Accordingly, shareholders have all the rights as per the laws and related articles of the Corporate Governance Code issued by the QFMA and the Bank's Memorandum and Articles of Association. The BOD guarantees respect for shareholders' rights to achieve equity and equality.

Fines

During 2014, fines aggregating to QR. 85,050 (2013: QR. 40,100) were imposed on the Bank by Qatar Central Bank for overdrawing the Bank's account with QCB for limited number of working days; for three payments through the Payment System were cancelled due to late delivery; and for breaching the Liquidity Ratio; Credit Ratio & the Ratio of Assets in foreign currencies to Liabilities in foreign currencies for limited number of working days.

Organisation Chart

Ahlibank Organisation Structure 2014



Salah Jassim Murad
Chief Executive Officer
Mahmoud Yahya Malkawi
Senior Deputy CEO Corporate Banking
Mahalingam Shankar
Deputy CEO,
Finance, Operations, Services & Technology
Andrew McKechnie
Deputy CEO Retail

Mohamed Ouf
Executive Manager of Legal
Saad Al-Kaabi
Head of Human Resources
Graeme Coulson
Head of Treasury & Investments
Trevor Bailey
Head of International Banking

Hans Broekhuisen
Chief Risk Officer
Zakaria Abedraboh
Head of Compliance
Johny AlKhoury
General Counsel and Board Secretary
Maher Barakat
Head of Internal Audit

Contents Consolidated Financial Statements

Independent Auditors' Report to the Shareholders of Ahli Bank Q.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Ahli Bank Q.S.C. ("the Bank") and its subsidiary (together referred to as "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated income statement and consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the Consolidated Financial Statements

Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and applicable provisions of the Qatar Central Bank regulations and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we considered internal controls relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and applicable provisions of the Qatar Central Bank regulations.

Independent Auditors' Report to the Shareholders of Ahli Bank Q.S.C.

Independent auditors' of Ahli Bank Q.S.C. (continued)

Report on other legal and regulatory requirements

We have obtained all the information and explanation which we consider necessary for the purpose of our audit. The Bank has maintained proper accounting records and consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the board of directors and confirm that the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the provisions of Qatar Central Bank Law No. 13 of 2012, Qatar Commercial Law No. 5 of 2002 or the terms of the Articles of Association during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position at 31 December 2014.

Yacoub Hobeika,
Partner, KPMG
Auditor's Registration No. 289
Date: 19 January 2015
Doha,
State of Qatar

Consolidated Statement of Financial Position

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

QAR'000s

As at 31 December	Note	2014	2013
ASSETS			
Cash and balances with central banks	8	**2,035,768**	1,194,554
Due from banks	9	**2,558,091**	2,206,147
Loans and advances to customers	10	**21,307,947**	17,312,451
Investment securities	11	**4,933,730**	5,017,542
Property and equipment	12	**252,054**	178,057
Other assets	13	**292,810**	268,419
TOTAL ASSETS		**31,380,400**	26,177,170
LIABILITIES			
Due to banks	14	**2,527,626**	1,785,008
Certificate of deposits		**2,392,800**	1,067,695
Customer deposits	15	**19,893,077**	18,890,774
Subordinated debt	16 (a)	**182,000**	182,000
Other borrowings	16 (b)	**1,476,582**	-
Other liabilities	17	**737,219**	688,372
TOTAL LIABILITIES		**27,209,304**	22,613,849
EQUITY			
Share capital	18 (a)	**1,651,975**	1,270,750
Legal reserve	18 (b)	**1,397,849**	1,337,722
Risk reserve	18 (c)	**491,498**	382,994
Fair value reserves	18 (d)	**49,807**	28,273
Retained earnings		**579,967**	543,582
TOTAL EQUITY		**4,171,096**	3,563,321
TOTAL LIABILITIES AND EQUITY		**31,380,400**	26,177,170

These consolidated financial statements were approved by the Board of Directors on 19th January 2015 and were signed on its behalf by:

Sh. Faisal Bin Abdul-Aziz Bin Jassem Al Thani
Chairman & Managing Director

Salah Murad
Chief Executive Officer

Consolidated Income Statement

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

QAR'000s

For the year ended 31 December	Note	2014	2013
Interest income	19	**1,020,759**	938,851
Interest expense	20	**(269,286)**	(253,451)
Net interest income		**751,473**	685,400
Net fee and commission income	21	**139,375**	123,342
Foreign exchange gain	22	**19,622**	25,420
Income from investment securities	23	**19,008**	11,040
Other operating income	24	**4,434**	4,461
Net operating income		**933,912**	849,663
Staff costs	25	**(157,932)**	(154,511)
Depreciation	12	**(18,580)**	(22,644)
Net impairment loss on loans and advances to customers	10 (c)	**(40,038)**	(2,814)
Net provision for legal cases	17 (i)	**(2,900)**	(5,250)
Impairment loss on investment securities	11 (c)	**(9,564)**	(41,455)
Other expenses	26	**(103,625)**	(97,304)
		(332,639)	(323,978)
Profit for the year		**601,273**	525,685
Earnings per share	27	**3.64**	3.18

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

QAR'000s

For the year ended 31 December	Note	2014	2013
Profit for the year		**601,273**	525,685
Other comprehensive income for the year			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Effective portion of changes in fair value		**-**	-
Realised during the year	18 (d)	**-**	1,051
Available-for-sale financial assets:			
Fair value gains / (losses) during the year	18 (d)	**18,744**	(50,025)
Net amount of impairment transferred to profit or loss	18 (d)	**6,360**	41,455
Realised during the period	18 (d)	**(3,790)**	(2,265)
Amortised during the year on reclassification to loans and receivables	18 (d)	**220**	176
Other comprehensive income for the year		**21,534**	(9,608)
Total comprehensive income for the year		**622,807**	516,077

Consolidated Statement of Changes in Equity

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

QAR'000s

	Note	Share capital	Legal reserve	Risk reserve	Fair value reserves	Retained earnings	Total equity
Balance as at 1 January 2013		1,270,750	1,337,722	254,706	37,881	540,553	3,441,612
Total comprehensive income for the year							
Profit for the year		-	-	-	-	525,685	525,685
Other comprehensive income		-	-	-	(9,608)	-	(9,608)
Total comprehensive income for the year		-	-	-	(9,608)	525,685	516,077
Transfer to risk reserve	18 (c)	-	-	128,288	-	(128,288)	-
Transfer to social and sports fund for the year 2013	33	-	-	-	-	(13,142)	(13,142)
Transactions with equity holders, recognised directly in equity							
Contributions by and distributions to equity holders:							
Dividend paid	18 (a)	-	-	-	-	(381,226)	(381,226)
Total contributions by and distributions to equity holders		-	-	-	-	(381,226)	(381,226)
Balance as at 31 December 2013		1,270,750	1,337,722	382,994	28,273	543,582	3,563,321

Consolidated Statement of Changes in Equity

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

QAR'000s

	Note	Share capital	Legal reserve	Risk reserve	Fair value reserves	Retained earnings	Total equity
Balance as at 1 January 2014		**1,270,750**	**1,337,722**	**382,994**	**28,273**	**543,582**	**3,563,321**
Total comprehensive income for the year							
Profit for the year		-	-	-	-	**601,273**	**601,273**
Other comprehensive income		-	-	-	**21,534**	-	**21,534**
Total comprehensive income for the year					**21,534**	**601,273**	**622,807**
Transfer to risk reserve	18 (c)			**108,504**		**(108,504)**	-
Transfer to legal reserve	18 (b)	-	**60,127**	-	-	**(60,127)**	-
Transfer to social and sports fund for the year 2014	33	-	-	-	-	**(15,032)**	**(15,032)**
Transactions with equity holders, recognised directly in equity							
Contributions by and distributions to equity holders:							
Bonus issue	18 (a)	**381,225**	-	-	-	**(381,225)**	-
Total contributions by and distributions to equity holders		**381,225**	-	-	-	**(381,225)**	-
Balance as at 31 December 2014		**1,651,975**	**1,397,849**	**491,498**	**49,807**	**579,967**	**4,171,096**

Consolidated Statement of Cash Flows

The attached notes 1 to 34 form an integral part of these consolidated financial statements.

QAR'000s

For the year ended 31 December	**Note**	**2014**	2013
Cash flows from operating activities			
Profit / (loss) for the year before tax		**601,273**	525,685
Adjustments for:			
Net impairment loss on loans and advances to customers	10 (c)	**40,038**	2,814
Net provision for legal cases	17 (i)	**2,900**	5,250
Impairment loss on investment securities	11 (c)	**9,564**	41,455
Depreciation	12	**18,580**	22,644
Net gain on sale of available-for-sale securities	23	**(15,690)**	(4,346)
Profit before changes in operating assets and liabilities		**656,665**	593,502
Change in due from central bank		**(80,860)**	(202,602)
Change in loans and advances to customers		**(4,041,669)**	(3,323,078)
Change in other assets		**(24,391)**	(151,252)
Change in due to banks		**742,618**	710,348
Change in customer deposits		**1,002,303**	4,937,336
Change in certificate of deposit		**1,325,105**	(390,929)
Change in other liabilities		**48,847**	192,566
Net cash (used) in/from operating activities		**(371,382)**	2,365,891
Cash flows from investing activities			
Acquisition of investment securities		**(1,714,245)**	(2,440,376)
Proceeds from sale of investment securities		**1,813,926**	1,498,691
Acquisition of property and equipment	12	**(92,583)**	(17,476)
Net cash from/used in investing activities		**7,098**	(959,161)
Cash flows from financing activities			
Proceeds from other borrowings	16 (b)	**1,476,582**	-
Dividends paid		**-**	(381,226)
Net cash from /(used) in financing activities		**1,476,582**	(381,226)
Net increase in cash and cash equivalents		**1,112,298**	1,025,504
Cash and cash equivalents as at 1 January		**2,544,855**	1,519,351
Cash and cash equivalents as at 31 December	29	**3,657,153**	2,544,855
Operational cash flows from interest and dividend			
Interest received		**1,026,099**	911,411
Interest paid		**258,222**	254,727
Dividend received		**3,318**	6,694

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

1. REPORTING ENTITY

Ahli Bank Q.S.C. ("the Bank") is an entity domiciled in the State of Qatar and was incorporated in 1983 as a public shareholding company under Emiri Decree no. 40 of 1983. The commercial registration of the Bank is 8989. The address of the Bank's registered office is Suhaim Bin Hamad Street, Al Sadd Area in Doha (P.O.Box 2309, Doha, State of Qatar). The consolidated financial statements of the Bank for the year ended 31 December 2014 comprise the Bank and its subsidiary (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in corporate and retail banking and brokerage activities, and has 16 branches in Qatar.
The principal subsidiary of the Bank is as follows:

Company's Name	Country of Incorporation	Company's Capital	Company's Activities	Percentage of ownership 2014	Percentage of ownership 2013
Ahli Brokerage Company S.P.C.	Qatar	QAR 50 million	Brokerage	100	100

Effective 15 June 2014, Amwal Q.S.C entered into an agreement with the Bank to transfer its role as Founder of Qatar Gate Fund-Class "Q" to the Bank with the approval of Qatar Central Bank.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and the applicable provisions of the Qatar Central Bank ("QCB") regulations.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items on the consolidated statement of financial position, which are measured at fair value:

- derivatives;
- available-for-sale financial assets; and
- recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Consolidation

(i) Subsidiary

Subsidiary is an investee controlled by the Group. The financial statement of subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases.
The Group 'controls' an investee if its exposed to, or has right to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee
The accounting policies of subsidiary have been changed when necessary to align them with the policies adopted by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

Foreign currency transactions and balances

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

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

(c) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and advances to customers, due from / to banks, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

Financial assets

At inception a financial asset is classified in one of the following categories:
- loans and receivables;
- held to maturity;
- available-for-sale.

Financial liabilities

The Group has classified and measured its financial liabilities at amortised cost.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement ; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

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

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

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

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS and when approved by the QCB, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Measurement principles

Amortised cost measurement

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

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Fair values of derivatives represent quoted market prices or internal pricing models as appropriate.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5 (b) (i).

(vi) Identification and measurement of impairment

Loans and advances to customers that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers with similar risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

In assessing collective impairment the Group uses historical loss experience (probability of default – PD), which is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based, loss given default (LGD) and loss identification factor. Further Group takes into consideration factors such as any deterioration in country risk, industry as well as identified structural weaknesses or deterioration in cash flows on assessing the collective impairment.

The Group assesses impairment on held to maturity investments, based on the indications triggering an impairment loss at specific level.

For listed securities, a decline in the market value by 20% from cost or more, or for a continuous period of 9 months or more, are considered to be indicators of impairment.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

In subsequent periods, the appreciation of fair value of an impaired available-for-sale investment security is recorded in fair value reserves.

(d) Cash and cash equivalents

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

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

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Loans and advances to customers

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term.

Loans and advances to customers are initially measured at the transaction price which is the fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(f) Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either 'held to maturity' or 'available-for-sale'.

(i) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which were not designated as at fair value through profit or loss or as available-for-sale. Held-to-maturity investments were carried at amortised cost using the effective interest method.

(ii) Available-for-sale financial assets

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Unquoted equity securities are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss.

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

A non-derivative financial asset is reclassified from the available-for-sale category to the loans and receivables category if it otherwise would have met the definition of loans and receivables and if the Group had the intention and ability to hold that financial asset for the foreseeable future or until maturity.

(g) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that, have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives (continued)

primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

- Fair value hedges
  In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized immediately in the consolidated income statement. The related aspect of the hedged item is adjusted against the carrying amount of the hedged item and recognized in the consolidated income statement.

- Cash flow hedges
  In relation to cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as cash flow hedge reserve in other comprehensive income. The gains or losses on cash flow hedges initially recognized in the consolidated statement of comprehensive income are transferred to the consolidated income statement in the period in which the hedged transaction impacts the consolidated income statement. Where the hedged transaction results in the recognition of an asset or a liability, the associated gains or losses that had initially been recognized in the consolidated statement of comprehensive income, are included in the initial measurement of the cost of the related asset or liability.
  For hedges which do not qualify for hedge accounting, any gains or losses arising in the fair value of the hedging instrument are taken directly to the consolidated income statement for the period.
  Hedge accounting is discontinued when the hedging instrument expires, is terminated or exercised, or no longer qualifies for hedge accounting. For effective fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortised over the remaining term to maturity. For effective cash flow hedges, any cumulative gain or loss on the hedging instrument recognized as cash flow hedge reserve in other comprehensive income is held therein until the forecasted transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized as cash flow hedge reserve in other comprehensive income is transferred to the consolidated income statement

(ii) Derivatives held for trading purposes

The Group's derivative trading instruments includes forward exchange contracts and interest rate and foreign currency swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, derivatives are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models as appropriate. The resulting gains or losses are included in the consolidated income statement.

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.
Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.
The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Property and equipment (continued)

(ii) Subsequent costs

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

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

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

Buildings	20 years
Leasehold improvements	5 years
Furniture and equipment	6-7 years
Motor Vehicles	5 years

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

(i) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

(j) Provisions

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

(k) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Employee termination benefits and pension funds

End of service gratuity plans-Defined benefits plan

The Group provides for end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The provision of employees' end of service benefits is included in the other provisions within other liabilities.

Pension and Provident Fund plan-Defined contribution plan

Under Law No. 24 of 2002 on Retirement and Pension, the Group is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

(m) Share capital and reserves

Incremental cost directly attributable to the issue of an equity instrument is deducted from the initial measurement of the equity instruments.

(n) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Group's shareholders. Dividends for the year that are declared after the date of the consolidated statement of financial position are dealt with in a separate note.

(o) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items in fair value hedges of interest rate risk.

Interest income investment securities calculated on an effective interest basis is also included in interest income

(p) Fees and commission income and expense

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Fees and commission income and expense

Fee income earned from services that are provided over a certain period of time.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

Fee income from providing transaction services

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees, and brokerage fees.
Loan syndication fees are recognised in the income statement when the syndication has been completed and the Group retains no part of the loans for itself or retains part at the same effective rate as for the other participants.

(q) Income from investment securities

Gains or losses on the sale of investment securities are recognised in profit or loss as the difference between fair value of the consideration received and carrying amount of the investment securities.

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

Income from held to maturity investment securities is recognised based on the effective interest rate method.

(r) Dividend income

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

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer. The chief executive officer is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.
Income and expenses directly associated with each segment are included in determining operating segment performance.

(u) Fiduciary activities

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position

(v) Comparatives

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

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary information, is prepared following the same accounting policies as mentioned above except for; investment in subsidiary which are not consolidated and is carried at cost.

(x) New standards and interpretations

New standards and interpretations effective from 1 January 2014.

The Group has adopted the following new standards and amendments to standards and inte criteria by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement.
The adoption of this amendment had no significant impact on the consolidated financial statements of the Group.

Notwithstanding, the following new standards which became also effective, did not have a material impact on the consolidated financial position or performance of the Group.

a) Amendments to IAS 39- Novation of Derivatives and Continuation of Hedge Accounting
b) Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities”
c) Amendments to IAS 36 on recoverable amount disclosures for non-financial assets
d) IFRIC 21 on Levies

New standards and interpretations issued but not yet effective for the year ended 31 December 2014 and their likely impact on the consolidated financial statements of the Group.

The new standards, amendments to standards and interpretations which have been issued but are not yet effective for the year ended 31 December 2014 and have not been applied in preparing these consolidated financial statements were as follows:

a) IFRS 9, Financial Instruments is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The Group is currently assessing the impact of this standard for future periods. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

The following new or amended standards are not expected to have significant impact on consolidated financial statements of the Group.

Effective from annual periods beginning on or after 1 January 2016

b) Amendments to IFRS 11 on accounting for acquisitions of interest in joint operations
c) Amendments to IAS 16 and IAS 38 on classification of acceptable methods of depreciation and amortization
d) Amendments to IAS 19 on Defined benefit plans: Employee contributions

Effective from annual periods beginning on or after 1 January 2017

b) IFRS 15, Revenue from contracts with customers

The Bank did not early adopt any standards or interpretations.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and Overview

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

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

Risk Management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit, liquidity, market, including trading and non-trading, and operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

- **Risk Management Structure**
  The Board of Directors are ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

- **Executive Committee**
  The Executive Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and managing and monitoring relevant risk decisions.

- **Risk Management Department**
  The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group. Each business group has a decentralised department which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This function also ensures the complete capture of the risks in risk measurement and reporting systems.

- **Treasury**
  Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure, as laid down by the Asset Liability Committee (ALCO) from time to time.

- **Internal Audit**
  Risk management processes throughout the Group are audited annually by the Internal Audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and Overview (continued)

Risk Management (continued)

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all the business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors and the Executive Committee.

The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for impairment on a quarterly basis.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business departments have access to necessary and up-to-date information.

Frequent briefing is given to the senior management and all other relevant members of the Group on the utilization of market limits, analysis of VaR, proprietary investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management strategy, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The risk profile is assessed before entering into any hedging transactions, which are authorised by the appropriate approval authority mechanism within the Group. The effectiveness of hedges is assessed by the Treasury and senior management (based on economic considerations too rather than purely the IFRS hedge based accounting regulations). The effectiveness of all the hedge relationships is monitored by the Treasury quarterly at each reporting period. In cases of ineffectiveness, the Group will continuously monitor the expected performance of the hedge and take mitigating action such as re-hedging wherever necessary to make the hedge more effective on the underlying instrument concerned.

The Group actively uses collaterals to reduce its credit risks (see Note 4. (b) Credit risk below for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and Overview (continued)

Risk Management (continued)

Excessive risk concentration (continued)

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. In the case of derivatives this is limited to positive fair values. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments, affecting a particular industry or geographic location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or group of customers in specific locations or businesses. It also obtains collaterals, when appropriate. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities.
- For commercial lending, mortgages over real estate properties, inventory, trade receivables, cash and securities.
- For retail lending, mortgages over residential properties, cash or securities.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

The Group also obtains corporate guarantees from parent companies for loans, advances and financing activities to their subsidiaries.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

		QAR'000s
	2014	2013
Credit risk exposures relating to assets recorded on the statement of financial position are as follows:		
Balances with central banks	**1,966,475**	1,116,918
Due from banks	**2,558,091**	2,206,147
Loans and advances to customers	**21,307,947**	17,312,451
Investment securities - debt	**4,637,667**	4,884,024
Other assets	**145,465**	132,129
Total as at 31 December	**30,615,645**	25,651,669
Other credit risk exposures are as follows:		
Contingent liabilities	**5,584,576**	4,346,030
Unutiised credit facilities	**10,344,210**	9,032,735
Total as at 31 December	**15,928,786**	13,378,765
Total credit risk exposure	**46,544,431**	39,030,434

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

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region.

QAR'000s

	Qatar	Other GCC	Europe	Rest of the world	Total
At 31 December 2014					
Balances with central bank	**1,966,475**	**-**	**-**	**-**	**1,966,475**
Due from banks	**982,000**	**1,154,024**	**144,864**	**277,203**	**2,558,091**
Loans and advances to customers	**21,130,548**	**177,399**	**-**	**-**	**21,307,947**
Investment securities – Debt	**4,292,189**	**308,923**	**-**	**36,555**	**4,637,667**
Other assets	**145,465**	**-**	**-**	**-**	**145,465**
Total	**28,516,677**	**1,640,346**	**144,864**	**313,758**	**30,615,645**
Other credit risk exposures are as follows:					
Contingent liabilities	**5,519,809**	**36,379**	**2,773**	**25,615**	**5,584,576**
Unutilised credit facilities	**10,339,685**	**4,525**	**-**	**-**	**10,344,210**
Total	**15,859,494**	**40,904**	**2,773**	**25,615**	**15,928,786**

	Qatar	Other GCC	Europe	Rest of the world	Total
At 31 December 2013					
Balances with central bank	1,116,918	-	-	-	1,116,918
Due from banks	236,600	1,370,616	132,491	466,440	2,206,147
Loans and advances to customers	17,215,235	97,216	-	-	17,312,451
Investment securities - Debt	4,495,026	369,841	3,969	15,188	4,884,024
Other assets	132,129	-	-	-	132,129
Total	23,195,908	1,837,673	136,460	481,628	25,651,669
Other credit risk exposure are as follows:					
Contingent liabilities	4,227,430	87,370	19,719	11,511	4,346,030
Unutilised credit facilities	9,030,864	1,871	-	-	9,032,735
Total	13,258,294	89,241	19,719	11,511	13,378, 765

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Industry sectors

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

QAR'000s

	Gross exposure 2014	Gross exposure 2013
Government	**4,686,793**	5,813,775
Government agencies	**1,875,581**	1,117,189
Industry	**1,020,364**	473,010
Commercial	**6,646,712**	5,302,016
Services	**6,274,528**	4,591,235
Contracting	**1,921,076**	1,093,716
Real estate	**4,404,807**	3,474,079
Personal	**3,785,784**	3,786,649
Contingent liabilities	**15,928,786**	13,378,765
	46,544,431	39,030,434

Credit risk exposure

The Group's internal rating scale and mapping to the table below are as follows:

Bank's rating	Description of the grade	Mapping
Grade A	Low risk – excellent	High grade
Grade B	Standard/satisfactory risk	Standard grade
Grade C	Sub-standard – watch	Watch list/impaired
Grade D	Doubtful	Watch list/impaired
Grade E	Bad debts	Watch list/impaired

QAR'000s

	2014	2013
Equivalent grades		
High Grade	**9,627,291**	8,514,064
Standard Grade	**36,885,391**	30,453,282
Watch List or Impaired	**31,749**	63,088
	46,544,431	39,030,434

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality

QAR'000s

	Loans and advances to customers		Due from banks		Investment securities – debt	
	2014	2013	**2014**	2013	**2014**	2013
Neither past due nor impaired (low risk):						
High and standard grade	**19,557,031**	15,648,677	**2,558,091**	2,206,147	**-**	-
	19,557,031	15,648,677	**2,558,091**	2,206,147	**-**	-
Past due but not impaired						
Standard Grade/satisfactory risk	**1,767,467**	1,629,686	**-**	-	**-**	-
Carrying amount	**1,767,467**	1,629,686	**-**	-	**-**	-
Watch list or Impaired						
Substandard and doubtful (overdue upto 9 months)	**46,220**	79,127	**-**	-	**-**	-
Loss (overdue > 9 months)	**292,519**	270,082	**-**	-	**-**	-
	338,739	349,209	**-**	-	**-**	-
Less: impairment allowance-specific	**(306,990)**	(286,121)	**-**	-	**-**	-
Less: impairment allowance-collective	**(48,300)**	(29,000)	**-**	-	**-**	-
	21,307,947	17,312,451	**-**	-	**-**	-
Carrying amount – net	**21,307,947**	17,312,451	**2,558,091**	2,206,147	**-**	-
Investment securities - debt						
Held to maturity	**-**	-	**-**	-	**32,760**	32,760
Available for sale	**-**	-	**-**	-	**4,625,697**	4,863,604
Less: impairment allowance	**-**	-	**-**	-	**(20,790)**	(12,340)
Carrying amount – net	**-**	-	**-**	-	**4,637,667**	4,884,024
Total carrying amount	**21,307,947**	17,312,451	**2,558,091**	2,206,147	**4,637,667**	4,884,024

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Impaired loans and advances to customers and investment in debt securities

Individually impaired loans and advances to customers and investment debt securities for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

Loans and advances to customers past due but not impaired

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

QAR'000s

	2014	2013
Up to 60 days	**1,444,357**	1,574,839
61 – 90 days	**323,110**	54,847
Gross	**1,767,467**	1,629,686

(iv) Write-off policy

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB's approval.
This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 9,382 thousands (2013: QAR 77,733 thousand.).

(c) Liquidity risk

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

(i) Management of liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or a credit downgrade which may cause certain sources of funding to dry up immediately. To guard against this risk, the management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities.

In addition, the Group maintains 4.75% of average customer deposits as a mandatory deposit with Qatar Central Bank.

The Group's Asset and Liability Committee (ALCO) monitors the maturity profile on an overall basis with ongoing liquidity monitoring by the Treasury.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Maturity analysis (including all assets and liabilities)

QAR'000s

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
31 December 2014						
Cash and balances with central banks	2,035,768	1,529,582	219,665	240,297	46,224	-
Due from banks	2,558,091	1,446,164	477,226	634,701	-	-
Loans and advances to customers	21,307,947	980,617	1,355,854	4,097,270	7,399,701	7,474,505
Investment securities	4,933,730	36,468	-	648,725	3,459,901	788,636
Property and equipment	252,054	-	-	-	-	252,054
Others assets	292,810	32,042	117,844	4,003	6,241	132,680
Total	31,380,400	4,024,873	2,170,589	5,624,996	10,912,067	8,647,875
Due to banks	2,527,626	2,309,226	218,400	-	-	-
Certificate of deposits	2,392,800	1,267,237	1,055,563	70,000	-	-
Customer deposits	19,893,077	9,143,059	4,665,091	5,103,261	981,666	-
Subordinated debt	182,000	-	-	-	182,000	-
Other borrowings	1,476,582	-	-	-	1,476,582	-
Other liabilities	737,219	116,086	276,585	167,664	58,834	118,050
Equity	4,171,096	-	-	-	-	4,171,096
Total	31,380,400	12,835,608	6,215,639	5,340,925	2,699,082	4,289,146
Difference	-	(8,810,735)	(4,045,050)	284,071	8,212,985	4,358,729

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(ii) Maturity analysis (including all assets and liabilities) (continued)

QAR'000s

	Carrying amount	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
31 December 2013						
Cash and balances with central banks	1,194,554	780,763	263,820	111,593	38,378	-
Due from banks	2,206,147	1,661,650	453,497	91,000	-	-
Loans and advances to customers	17,312,451	719,787	1,424,631	3,250,829	4,082,906	7,834,298
Investment securities	5,017,542	997,445	505,150	162,859	2,479,619	872,469
Property and equipment	178,057	-	-	-	-	178,057
Others assets	268,419	19,446	112,928	2,409	956	132,680
Total	26,177,170	4,179,091	2,760,026	3,618,690	6,601,859	9,017,504
Due to banks	1,785,008	1,739,708	45,300	-	-	-
Certificate of deposits	1,067,695	656,078	247,864	163,753	-	-
Customer deposits	18,890,774	9,757,311	5,823,196	2,463,159	847,108	-
Subordinated debt	182,000	-	-	-	182,000	-
Other liabilities	688,372	129,127	269,848	86,627	80,429	122,341
Equity	3,563,321	-	-	-	-	3,563,321
Total	26,177,170	12,282,224	6,386,208	2,713,539	1,109,537	3,685,662
Difference	-	(8,103,133)	(3,626,182)	905,151	5,492,322	5,331,842

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (financial liabilities and derivatives)

QAR'000s

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
31 December 2014							
Non-derivative financial liabilities							
Due to banks	2,527,626	2,528,075	2,309,430	218,645	-	-	-
Certificate of deposits	2,392,800	2,396,550	1,267,627	1,058,425	70,498	-	-
Customer deposits	19,893,077	19,955,714	9,153,002	4,676,803	5,129,240	996,669	-
Subordinated debt	182,000	194,734	361	688	3,207	190,478	-
Other borrowings	1,476,582	1,579,122	-	-	-	1,579,122	-
Total	**26,472,085**	**26,654,195**	**12,730,420**	**5,954,561**	**5,202,945**	**2,766,269**	-
Derivative financial instruments							
Risk Management:							
Outflow		3,150,260	340,701	712,423	1,988,510	90,228	18,398
Inflow		(3,148,215)	(348,102)	(718,293)	(1,983,353)	(79,098)	(19,368)
		26,656,240	12,723,019	5,948,691	5,208,102	2,777,399	(970)

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (financial liabilities and derivatives)

QAR'000s

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
31 December 2013							
Non-derivative financial liabilities							
Due to banks	1,785,008	1,785,440	1,739,994	45,446	-	-	-
Certificate of deposits	1,067,695	1,070,077	656,410	248,812	164,855	-	-
Customer deposits	18,890,774	18,930,843	9,749,841	5,838,173	2,475,733	867,096	-
Subordinated debt	182,000	195,993	297	567	2,641	192,488	-
Total	21,925,477	21,982,353	12,146,542	6,132,998	2,643,229	1,059,584	-
Derivative financial instruments							
Risk Management:							
Outflow		3,394,728	2,473,925	498,062	415,438	6,675	628
Inflow		(3,398,260)	(2,480,240)	(498,302)	(414,462)	(4,558)	(697)
		21,978,821	12,140,227	6,132,758	2,644,205	1,061,701	(69)

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

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

(i) Management of market risks

The Group manages its market risks within the regulatory framework of limits defined by the Qatar Central Bank. Setting the internal framework for the management of market risks and ensuring compliance with this methodology is the responsibility of the Asset and Liability Committee (ALCO) which consists of senior management including members of the Risk management function. The Group is exposed to interest rate risk created as a result of assets and liabilities mismatch or off balance sheet instruments that mature or reprice over a given period.

Both interest rate gaps and foreign exchange rate fluctuations are managed within the prescribed board limits. All risk exposures are monitored and reported on a daily basis to senior management and any breaches are escalated immediately. In addition all trading activity is continuously being monitored at ALCO level.

(ii) Exposure to market risks – trading portfolios

The Group utilizes the widely used Value-at-Risk (VaR) methodology to capture and control market risks which is popular globally since it encapsulates all known market risks such as volatility changes, correlation effects into a single unit of measurement and a limit can be assigned against it for control purposes. The Group calculates the VaR metric on a daily basis for both trading purposes (1Day VaR) and regulatory purposes (10 Day VaR), which are monitored against set limits.

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

QAR'000s

	At 31 December	Average	Maximum	Minimum
2014				
Foreign currency risk	**(12,232)**	**(7,195)**	**(15,513)**	**(295)**
Interest rate risk	**(2)**	**(3)**	**(17)**	**-**
Covariance	**(68)**	**(40)**	**(76)**	**(3)**
Overall	**(12,302)**	**(7,238)**	**(15,606)**	**(298)**
2013				
Foreign currency risk	(14,427)	(3,724)	59,065	(35,525)
Interest rate risk	(8)	(6)	(642)	8
Covariance	(284)	(111)	(300)	(16)
Overall	(14,719)	(3,841)	58,123	(35,533)

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

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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

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

QAR'000s

	Carrying amount	Repricing in: Less than 3 months	3-12 months	1-5 years	More than 5 years	Non interest sensitive	Effective interest rate
2014							
Cash and cash equivalents	**2,035,768**	**800,000**	**-**	**-**	**-**	**1,235,768**	**-**
Due from banks	**2,558,091**	**1,852,903**	**634,701**	**-**	**-**	**70,487**	**0.40%**
Loans and advances to customers	**21,307,947**	**7,277,934**	**3,838,987**	**4,315,573**	**5,711,260**	**164,193**	**4.38%**
Investment securities	**4,933,730**	**52,717**	**632,477**	**3,163,838**	**788,636**	**296,062**	**3.96%**
Property and equipment	**252,054**	**-**	**-**	**-**	**-**	**252,054**	**-**
Other assets	**292,810**	**-**	**-**	**-**	**-**	**292,810**	**-**
	31,380,400	**9,983,554**	**5,106,165**	**7,479,411**	**6,499,896**	**2,311,374**	
Due to banks	**2,527,626**	**2,462,296**	**-**	**-**	**-**	**65,330**	**0.79%**
Certificate of deposits	**2,392,800**	**2,322,800**	**70,000**	**-**		**-**	**0.96%**
Customer deposits	**19,893,077**	**12,302,461**	**4,601,365**	**981,665**	**-**	**2,007,586**	**1.18%**
Subordinated debt	**182,000**	**182,000**	**-**	**-**	**-**	**-**	**2.25%**
Other borrowings	**1,476,582**	**1,476,582**	**-**	**-**	**-**	**-**	**1.69%**
Other liabilities	**737,219**	**-**	**-**	**-**	**-**	**737,219**	**-**
Equity	**4,171,096**	**-**	**-**	**-**	**-**	**4,171,096**	**-**
	31,380,400	**18,746,139**	**4,671,365**	**981,665**	**-**	**6,981,231**	
Statement of financial position items		**(8,762,585)**	**434,800**	**6,497,746**	**6,499,896**	**4,669,857**	
Off statement of financial position items		**(1,124,760)**	**-**	**396,760**	**728,000**	**-**	
Interest rate sensitivity gap		**(9,887,345)**	**434,800**	**6,894,506**	**7,227,896**	**4,669,857**	
Cumulative interest rate sensitivity gap		**(9,887,345)**	**(9,452,545)**	**(2,558,039)**	**4,669,857**		

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Repricing in: **QAR'000s**

	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non interest sensitive	Effective interest rate
2013							
Cash and cash equivalents	1,194,554	-	-	-	-	1,194,554	-
Due from banks	2,206,147	1,716,392	91,000	-	-	398,755	0.49%
Loans and advances to customers	17,312,451	4,650,567	3,207,957	2,705,678	6,388,668	359,581	4.92%
Investment securities	5,017,542	1,502,594	162,859	2,337,022	872,469	142,598	3.70%
Property and equipment	178,057	-	-	-	-	178,057	-
Other assets	268,419	-	-	-	-	268,419	-
	26,177,170	7,869,553	3,461,816	5,042,700	7,261,137	2,541,964	
Due to banks	1,785,008	1,776,758	-	-	-	8,250	0.61%
Certificate of deposit	1,067,695	903,942	163,753	-	-	-	1.32%
Customer deposits	18,890,774	14,112,209	1,973,726	847,109	-	1,957,730	1.36%
Subordinated debt	182,000	182,000	-	-	-	-	2.41%
Other Liabilities	688,372	-	-	-	-	688,372	-
Equity	3,563,321	-	-	-	-	3,563,321	-
	26,177,170	16,974,909	2,137,479	847,109	-	6,217,673	
Statement of financial position items		(9,105,356)	1,324,337	4,195,591	7,261,137	(3,675,709)	
Off statement of financial position items		258,440	(76,440)	(145,600)	(36,400)	-	
Interest rate sensitivity gap		(8,846,916)	1,247,897	4,049,991	7,224,737	(3,675,709)	
Cumulative Interest rate sensitivity gap		(8,846,916)	(7,599,019)	(3,549,028)	3,675,709	-	

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement and equity.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2014, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of swaps designated as cash flow hedges at 31 December 2014 for the effects of the assumed changes in interest rates and based on the assumption that there are parallel shifts in the yield curve. The effect of decreases in interest rates is expected to have an equal and opposite effect of the increases shown.

QAR'000s

		Sensitivity of net interest income		**Sensitivity of equity**	
Currency	Change in basis points	**2014**	2013	**2014**	2013
Qatari Riyal	25	**7,155**	6,098	-	-
US Dollar	25	**2,520**	3,559	**4,119**	2,755
		9,675	9,657	**4,119**	2,755

(iv) Exposure to currency risk – non-trading portfolios

Foreign currency transactions

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group takes an exposure to the effect of fluctuation in prevailing foreign currency exchange rates on its consolidated financial position. The Board of Directors has set limits on the level of currency exposure, which are monitored daily.

The Group had the following net open positions at the year end.

Functional currency of Group entities

QAR'000s

	2014	2013
Net foreign currency exposure:		
Pounds Sterling	**(38)**	437
Euro	**(373)**	(33,585)
USD	**67,264**	109,195
Other currencies	**71,632**	65,244
Total	**138,485**	141,291

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(iv) Exposure to currency risk – non-trading portfolios (continued)

The others above include an exposure to Egyptian Pounds (EGP) amounting to QAR 55,130 thousand (2013: QAR 56,725 thousand). This exposure arises from the Group's strategic investment made in 2006.

The Group manages its currency exposures within limits laid down by the Board of Directors. Intra-day and overnight limits are laid down for each currency individually and in total. The Qatar Riyal is pegged to the US Dollar. Although the Group is not exposed to any currency risk due to the peg, limits are set for US Dollar exposures. All other currency exposures are limited and the Group is not significantly exposed to the other currencies

Sensitivity Analysis — **QAR'000s**

	Increase / (decrease) in profit or loss		**Increase / (decrease) in other comprehensive income**	
%1 change in currency exchange rate	**2014**	2013	**2014**	2013
Pound Sterling	**-**	4	**-**	-
Euro	**4**	336	-	-
USD	**-**	-	**-**	-
Other currencies	**82**	101	**551**	567

(v) Exposure to equity price risks – non-trading portfolios

Equity price risk

Equity price risk arises from fluctuations in equity indices and prices. The Board has set limits on the amount and type of investments that may be accepted. This is monitored on an ongoing basis by the Group's Credit and Investment Committee. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity, as a result of a change in the fair value of equity instruments held as available-for-sale investments at the year end, due to change in equity indices, with all other variables held constant, is as follows:

QAR'000s

	Change in Equity price %	**Effect on equity 2014**	Effect on Equity 2013
Market index			
Qatar Exchange	%10	**21,882**	5,987

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risks

Operational Risk is the loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank manages its Operational Risk primarily through the Board approved Operational Risk Framework (ORF) consisting of the Operational Risk Policy (ORP) and the Operational Risk Committee (ORC), which has representation across all departments. The Bank utilizes a Basel II compliant approach known as 'Operational Risk Self-Assessment' (ORSA) process to assess, document and report the operational risks encountered in the course of normal business activity.

The ORC member approves the ORSA annually and reviews operational risks faced by various functions in the Bank on a regular basis throughout the year to track the status of open risks and pursuing appropriate controls wherever necessary. The ORSA process for 2013/2014 was successfully completed on 10th July 2014. Furthermore both compliance and internal audit perform independent periodic reviews to assess adequacy of check and controls at any given point in time.

The Bank has a robustly documented Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP). These documents outline the procedures to be followed in a disaster scenario. The BCP aims to establish the level of impact upon the Bank's business activity of having to operate from a different site in the event of an emergency or natural disaster. This includes access to critical computer systems, connectivity to local area network, database servers, internet, intranet and e-mails etc. This is a well-established process and takes place periodically throughout the year and its completion is signed off by all concerned departments to confirm tests were successfully carried out by them as well as a report circulated to all ORC members for their comments and reference. Both the BCP & DR processes were independently audited by external auditors. (in compliance with QCB requirements) and were found to be thorough and well implemented.

Basic firefighting training is provided to staff fire wardens periodically with the assistance of Civil Defense Authority.
An evacuation drill is normally conducted annually as part of safety and security procedures across the branches network.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

Regulatory capital

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank.. The following table summarises the capital adequacy of the Group under Basel III and Basel II (2013) requirements:

QAR'000s

	2014	2013
Common Equity Tier 1 (CET1) capital / Tier 1 (Basel II)	3,923,300	3,152,054
Additional Tier 1 capital	-	-
Tier 2 capital	121,100	350,518
Total eligible capital	4,044,400	3,502,572
Total risk weighted assets	22,290,378	18,287,601
CET1/Tier 1 (Basel II) Ratio	17.6	17.2
Total Capital Ratio	18.1	19.2

The Bank has followed Basel III Capital Adequacy Ratio (CAR) with effect from 1 January 2014 in accordance with Qatar Central Bank regulations. The minimum accepted Capital Adequacy Ratio under Basel III as per Qatar Central Bank Requirements are as follows:
Minimum limit without Capital Conservation Buffer is 10%.
Minimum limit including Capital Conservation Buffer is 12.5%.
Capital Adequacy disclosures relating to 31 December 2013 are based on Basel II requirements.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

Risk weighted assets and carrying amounts

QAR'000s

	2014 Basel III Risk weighted amount	2013 Basel II Risk weighted amount	2014 Carrying amount	2013 Carrying amount
Cash and balances with central banks	-	-	2,035,768	1,194,554
Due from banks	430,305	494,662	2,558,091	2,206,147
Loans and advances to customers	18,889,219	14,635,118	21,307,947	17,312,451
Investment securities	978,844	-	4,933,730	53,760
Other assets	544,864	438,072	544,864	446,476
Total risk weighted assets for credit risk	20,844,232	15,567,852	31,380,400	21,213,388
Risk weighted assets for market risk	71,632	1,370,350		
Risk weighted assets for operational risk	1,374,514	1,349,399		
	22,290,378	18,287,601		

QAR'000s

	2014	2013
Risk weighted assets	22,290,378	18,287,601
Regulatory capital	4,044,400	3,502,572
Regulatory capital as a percentage of Risk weighted assets (Capital ratio)	18.1%	19.2%

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

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 reason able under the circumstances.

(i) **Going concern**

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

(ii) **Impairment losses on loans, advances and financing activities to customers**

The Group reviews its individually significant loans, advances and financing activities to customers at each consolidated statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

(iii) **Impairment of available-for-sale investments**

The Group treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

(iv) **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models are taken from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs, such as volatility, discount rates et

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

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: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments measured at fair value – Fair value hierarchy

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

QAR'000s

	Level 1	Level 2	Level 3	Total
31 December 2014				
Derivative assets held for risk management	**-**	**23,257**	**-**	**23,257**
Investment securities	**3,343,191**	**1,483,030**	**-**	**4,826,221**
	3,343,191	**1,506,587**	**-**	**4,849,478**
Derivative liabilities held for risk management	**-**	**35,694**	**-**	**35,694**
	-	**35,694**	**-**	**35,694**
31 December 2013				
Derivative assets held for risk management	-	8,406	-	8,406
Investment securities	3,617,727	1,290,710	-	4,908,437
	3,617,727	1,299,116	-	4,916,843
Derivative liabilities held for risk management	-	11,845	-	11,845
	-	11,845	-	11,845

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

5. USE OF ESTIMATES AND JUDGMENTS(CONTINUED)

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

(i) **Valuation of financial instruments (continued)**

All unquoted available for sale equity investments amounting to QAR 74,749 thousands (2013: QAR 76,345 thousands) are recorded at cost since the fair value cannot be reliably measured.

During the year ending 31 December 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Financial investments in Level 2 above include Qatar Government Bonds amounting to QAR 283.030 thousand, (2013: QAR 290,710 thousand) which were issued in lieu of sale of certain real estate loans and equity investments listed in Qatar Exchange to the Government of Qatar.

Financial instruments not measured at fair value

The following financial instruments which are not measured at fair value are not being included in fair value hierarchy, as carrying amount is a reasonable approximation of fair value, except for investment securities classified as held to maturity which the fair value amounts to QAR 36,915 thousand (2013 : QAR 35,227 thousand), which is derived using level 1.

The fair value of the following financial instruments approximate their carrying values:

Financial assets

Cash and balances with Qatar Central Bank
Due from banks and other financial institutions
Loans, advances and financing activities to customers

Financial liabilities

Due to banks, Qatar Central Bank and other financial institutions
Customer deposits
Subordinated debt
Other borrowings

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to call accounts, demand deposits, savings accounts without a specific maturity and variable rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

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

- In classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
- In designating financial assets at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.
- In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policies.

Details of the Group's classification of financial assets and liabilities are given in Note 7.

(iii) **Qualifying hedge relationships**

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

(iv) **Impairment of investments in equity and debt securities**

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

(v) **Useful lives of property and equipment**

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

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

6. OPERATING SEGMENTS

For management purposes, the Group is organised into three major operating segments:
Management monitors the operating results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Retail and private banking and wealth management	Principally handling individual customers' deposit and current accounts, providing consumer loans, residential mortgages, overdrafts, credit cards and fund transfer facilities. Private banking and wealth management represents servicing high net worth individuals through a range of investment products, funds, credit facilities, trusts and alternative investments.
Corporate banking, treasury, investments and brokerage subsidiary	Principally handling loans and other credit facilities, and deposit and current accounts for corporate and institutional customers and providing money market, trading and treasury services, as well as management of the Group's funding. The brokerage services are offered through the wholly owned subsidiary, Ahli Brokerage Company SPC.

(i) Information about operating segments

QAR'000s

	Retail & private banking and wealth management	**Corporate banking, treasury and investments**	**Total**
2014			
Net interest income	**194,790**	**556,683**	**751,473**
Net fee and commission income	**47,407**	**91,968**	**139,375**
Foreign exchange gain	**10,098**	**9,524**	**19,622**
Income from investment securities	**-**	**19,008**	**19,008**
Other operating income	**-**	**4,434**	**4,434**
Total segment revenue	**252,295**	**681,617**	**933,912**
Other material non-cash items:			
Impairment losses and provisions	**(18,709)**	**(33,793)**	**(52,502)**
Reportable segment profit before tax	**103,290**	**497,983**	**601,273**
Reportable segment assets	**5,465,405**	**25,914,995**	**31,380,400**
Reportable segment liabilities	**6,589,898**	**20,619,406**	**27,209,304**

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

6. OPERATING SEGMENTS (CONTINUED)

(i) Information about operating segments (continued)

QAR'000s

	Retail & private banking and wealth management	Corporate banking, treasury and investments	Total
2013			
Net interest income	179,411	505,989	685,400
Net fee and commission income	46,256	77,086	123,342
Foreign exchange gain	10,665	14,755	25,420
Income from investment securities	-	11,040	11,040
Other operating income	-	4,461	4,461
Total segment revenue	236,332	613,331	849,663
Other material non-cash items:			
Impairment losses and provisions	(13,329)	(36,190)	(49,519)
Reportable segment profit before tax	107,306	418,379	525,685
Reportable segment assets	4,724,462	21,452,708	26,177,170
Reportable segment liabilities	5,741,650	16,872,199	22,613,849

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

7. FINANCIAL ASSETS AND LIABILITIES

(a) Accounting classifications and fair values

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

QAR'000s

31 December 2014	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	2,035,768	-	-	2,035,768	2,035,768
Due from banks	-	-	-	-	2,558,091	2,558,091	2,558,091
Derivative assets held for risk management	23,257	-	-	-	-	23,257	23,257
Loans and advances to customers	-	-	21,307,947	-	-	21,307,947	21,307,947
Investment securities:							
Measured at fair value	-	-	-	4,900,970	-	4,900,970	4,900,970
Measured at amortised cost	-	32,760	-	-	-	32,760	36,915
	23,257	32,760	23,343,715	4,900,970	2,558,091	30,858,793	30,862,948
Derivative liabilities held for risk management	35,694	-	-	-	-	35,694	35,694
Due to banks	-	-	-	-	2,527,626	2,527,626	2,527,626
Certificate of deposits	-	-	-	-	2,392,800	2,392,800	2,392,800
Customer deposits	-	-	-	-	19,893,077	19,893,077	19,893,077
Subordinated debt	-	-	-	-	182,000	182,000	182,000
Other borrowings	-	-	-	-	1,476,582	1,476,582	1,476,582
	35,694	-	-	-	26,472,085	26,507,779	26,507,779

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

7. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Accounting classifications and fair values (continued)

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

QAR'000s

31 December 2013	Fair value through profit or loss	Held-to-maturity	Loans and receivables	Available for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and balances with central bank	-	-	1,194,554	-	-	1,194,554	1,194,554
Due from banks	-	-	-	-	2,206,147	2,206,147	2,206,147
Derivative assets held for risk management	8,406	-	-	-	-	8,406	8,406
Loans and advances to customers	-	-	17,312,451	-	-	17,312,451	17,312,451
Investment securities:							
Measured at fair value	-	-	-	4,984,782	-	4,984,782	4,984,782
Measured at amortised cost	-	32,760	-	-	-	32,760	35,227
	8,406	32,760	18,507,005	4,984,782	2,206,147	25,739,100	25,741,567
Derivative liabilities held for risk management	11,845	-	-	-	-	11,845	11,845
Due to banks	-	-	-	-	1,785,008	1,785,008	1,785,008
Certificate of deposits	-	-	-	-	1,067,695	1,067,695	1,067,695
Customer deposits	-	-	-	-	18,890,774	18,890,774	18,890,774
Subordinated debt	-	-	-	-	182,000	182,000	182,000
	11,845	-	-	-	21,925,477	21,937,322	21,937,322

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

8. CASH AND BALANCES WITH CENTRAL BANKS

QAR'000s

	2014	2013
Cash	69,293	77,636
Cash reserve with QCB*	936,706	855,846
Other balances with QCB	1,029,769	261,072
	2,035,768	1,194,554

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

9. DUE FROM BANKS

QAR'000s

	2014	2013
Current accounts	70,487	398,756
Placements	2,487,604	1,807,391
	2,558,091	2,206,147

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

QAR'000s

By type	2014	2013
Loans	19,481,909	15,651,437
Overdrafts	1,480,511	1,456,437
Bills discounted	300,263	110,426
Debt securities (i)	48,698	49,588
Acceptances	297,871	314,707
Other loans	67,169	70,936
	21,676,421	17,653,531
Deferred profit	(13,184)	(25,959)
Specific impairment of loans and advances to customers	(306,990)	(286,121)
Collective impairment allowance	(48,300)	(29,000)
Net loans and advances to customers (Note 1)	21,307,947	17,312,451

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

a) By type (continued)

The aggregate amount of non-performing loans and advances to customers(excluding performing loans under watch list) amounted QAR 259.47 million, which represents 1.20% of total loans and advances to customers (2013: QAR 251.48 million, 1.43% of total loans and advances to customers).

Specific impairment of loans and advances to customers includes QAR 57.72 million of interest in suspense (2013: QAR 54.34 million)

Debt Securities:

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain financial assets from available-for-sale to loans and advances category. The Group identified assets eligible under the amendments, for which at 1 July 2008, it had clear change of intent to hold for the foreseeable future rather than to exit in the short term. Under IAS 39 as amended, the reclassifications were made with effect from 1 July 2008 at fair value at that date

The carrying value of the financial assets reclassified to loans and advances at 1 July 2008 was QAR 304,555 thousand (31 December 2014: QAR 48,697 thousand and 31 December 2013: QAR 51,655 thousand) with the fair value at 31 December 2014 of QAR 47,363 thousand (31 December 2013: QAR 49,588 thousand). Unrealized fair value gains on reclassified financial assets available-for-sale that were not impaired, were recorded directly in equity. As of July 2008, such unrealized fair value gains recorded directly in equity amounted to QAR 14,579 thousand.

As of the reclassification date i.e. 1 July 2008, the effective interest rates on reclassified financial assets available-for-sale ranged from 4.12% to 6.46% with expected recoverable cash flows of QAR 483,080 thousand.

If the reclassification had not been made, there would not have been any effect on the Group's income statement for the year ended 31 December 2014 (2013: Nil). Also, as at 31 December 2014, the equity would have included QAR 1,334 thousand (31 December 2013: QAR 1,554 thousand) of unrealized fair value losses on the reclassified financial assets available-for-sale, which were not impaired.

QAR'000s

Note 1	2014	2013
Government and related agencies	1,626,680	1,679,053
Corporate	14,713,147	11,331,337
Retail	4,968,120	4,302,061
	21,307,947	17,312,451

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) By industry

QAR'000s

At 31 December 2014:	Loans	Overdrafts	Bills discounted	Debt Securities	Acceptances	Other Loans	Total
Government and related agencies	1,626,680	-	-	-	-	-	1,626,680
Industry	632,791	64,520	8,562	20,673	36,417	3	762,966
Commercial	5,804,289	499,213	187,985	-	224,013	254	6,715,754
Services	2,012,742	110,252	84,425	17,995	-	137	2,225,551
Contracting	1,557,277	310,954	15,673	-	37,095	77	1,921,076
Real estate	4,377,580	30,080	-	10,030	-	1	4,417,691
Personal	3,470,550	465,492	3,618	-	346	66,697	4,006,703
	19,481,909	1,480,511	300,263	48,698	297,871	67,169	21,676,421
Less: deferred profit							(13,184)
Specific impairment of loans and advances to customers							(306,990)
Collective impairment allowance							(48,300)
							21,307,947

QAR'000s

At 31 December 2013:	Loans	Overdrafts	Bills discounted	Debt Securities	Acceptances	Other Loans	Total
Government and related agencies	1,678,989	64	-	-	-	-	1,679,053
Industry	359,921	66,775	-	20,616	-	27	447,339
Commercial	4,314,011	658,271	42,550	-	314,707	186	5,329,725
Services	1,407,610	164,537	7,529	17,801	-	116	1,597,593
Contracting	909,065	179,335	5,291	-	-	25	1,093,716
Real estate	3,437,579	42,231	-	11,171	-	6	3,490,987
Personal	3,544,262	345,224	55,056	-	-	70,576	4,015,118
	15,651,437	1,456,437	110,426	49,588	314,707	70,936	17,653,531
Less: deferred profit							(25,959)
Specific impairment of loans and advances to customers							(286,121)
Collective impairment allowance							(29,000)
							17,312,451

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movement in impairment provisions on loans and advances to customers

QAR'000s

	2014	2013
Balance at 1 January	315,121	396,831
Provisions made during the year	84,839	98,952
Recoveries during the year	(35,288)	(102,929)
	364,672	392,854
Written off during the year	(9,382)	(77,733)
Balance at 31 December	355,290	315,121

The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations.

QAR'000s

	Corporate	Retail	Real Estate Mortgages	Total
Balance at 1 January	10,235	233,473	71,413	315,121
Provision made during the year	9,815	71,969	3,055	84,839
Recoveries during the year	(12,349)	(22,939)	-	(35,288)
Amounts written off	-	(9,382)	-	(9,382)
Balance at 31 December 2014	7,701	273,121	74,468	355,290
Balance at 1 January	60,124	267,467	69,240	396,831
Provision made during the year	19,387	77,392	2,173	98,952
Recoveries during the year	(69,276)	(33,653)	-	(102,929)
Amounts written off	-	(77,733)	-	(77,733)
Balance at 31 December 2013	10,235	233,473	71,413	315,121

The above impairment provisions include collective impairment on the Group's loans, advances and financing activities to customers' portfolio for QAR 48,300 thousands (2013; QAR29,000 thousand)

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

11. INVESTMENT SECURITIES

Investment securities as at 31 December 2014 totaled QAR 4,933,730 thousands (2013: QAR 5,017,542 thousands). The analysis of investment securities is detailed below:

QAR'000s

	2014	2013
Available-for-sale	**4,950,799**	5,028,251
Held to maturity	**32,760**	32,760
Total	**4,983,559**	5,061,011
Impairment loss	**(49,829)**	(43,469)
Total	**4,933,730**	5,017,542

(a) Available-for-sale

QAR'000s

	2014		2013	
	Quoted	**Unquoted**	Quoted	Unquoted
Equities	**228,227**	**88,130**	59,746	89,725
State of Qatar debt securities/T-Bills	**1,813,450**	**1,483,030**	2,769,012	1,365,708
Other debt securities	**1,329,217**	**-**	728,884	-
Mutual funds	**8,745**	**-**	15,176	-
Less: impairment provision of available for sale investments	**(36,448)**	**(13,381)**	(30,089)	(13,380)
Total	**3,343,191**	**1,557,779**	3,542,729	1,442,053

Fixed rate securities and floating rate securities amounted to QAR 4,609,502 thousands and QAR 16,195 thousands respectively (2013: QAR 4,848,190 thousands and QAR 15,414 thousands respectively).

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

11. INVESTMENT SECURITIES

(b) Held to maturity

QAR'000s

	2014		2013	
-By issuer	**Quoted**	**Unquoted**	Quoted	Unquoted
Other debt securities	**32,760**	**-**	32,760	-
Less: impairment provision	**-**	**-**	-	-
Total	**32,760**	**-**	32,760	-
-By interest rate				
Fixed rate securities	**32,760**	**-**	32,760	-
Floating rate securities	**-**	**-**	-	-
Less: impairment provision	**-**	**-**	-	-
Total	**32,760**	**-**	32,760	-

The fair value of held to maturity investments amounted to QAR36.91 million at 31 December 2014 (2013: QAR 35.22 million).

(c) Movement in impairment loss on investment securities

QAR'000s

	2014	2013
Balance at 1 January	**43,469**	2,014
Provision for impairment loss during the year	**9,564**	41,455
Reversal of provisions on derecognition	**(3,204)**	-
Balance at 31 December	**49,829**	43,469

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

12. PROPERTY AND EQUIPMENT

QAR'000s

Balance at 31 December 2014	Land and building	Leasehold improve-ments	Furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost						
Balance at 1 January 2013	124,919	57,571	99,626	156	51,593	333,865
Acquisitions / transfers	-	1,000	16,476	-	-	17,476
Disposals	-	-	-	-	-	-
Balance at 31 December 2013	124,919	58,571	116,102	156	51,593	351,341
Balance at 1 January 2014	**124,919**	**58,571**	**116,102**	**156**	**51,593**	**351,341**
Acquisitions / transfers	**70,675**	**3,973**	**17,935**	**-**	**-**	**92,583**
Disposals/write offs	**-**	**(843)**	**-**	**-**	**-**	**(843)**
Balance at 31 December 2014	**195,594**	**61,701**	**134,037**	**156**	**51,593**	**443,081**
Accumulated depreciation						
Balance at 1 January 2013	21,765	46,649	82,197	29	-	150,640
Charged during the year	3,232	9,692	9,689	31	-	22,644
Disposals	-	-	-	-	-	-
Balance at 31 December 2013	24,997	56,341	91,886	60	-	173,284
Balance at 1 January 2014	**24,997**	**56,341**	**91,886**	**60**	**-**	**173,284**
Depreciation for the year	**4,986**	**911**	**12,652**	**31**	**-**	**18,580**
Disposals	**-**	**(837)**	**-**	**-**	**-**	**(837)**
Balance at 31 December 2014	**29,983**	**56,415**	**104,538**	**91**	**-**	**191,027**
Carrying amounts						
Balance at 31 December 2013	99,922	2,230	24,216	96	51,593	178,057
Balance at 31 December 2014	**165,611**	**5,286**	**29,499**	**65**	**51,593**	**252,054**

13. OTHER ASSETS

QAR'000s

	2014	2013
Interest receivable	**102,711**	101,064
Profit receivable (Islamic)	**4,272**	11,259
Prepaid expenses	**13,740**	2,939
Positive fair value of derivatives (Note 30)	**23,257**	8,406
Sundry debtors	**9,181**	3,301
Advances and deposits	**1,952**	1,739
Others	**137,697**	139,711
	292,810	268,419

14. DUE TO BANKS

QAR'000s

	2014	2013
Balances due to central banks	**57,564**	864
Current accounts	**7,369**	8,151
Deposits	**2,462,693**	1,775,993
	2,527,626	1,785,008

15. CUSTOMER DEPOSITS

(a) By type

QAR'000s

	2014	2013
Current and call deposits	**3,546,338**	3,406,967
Saving deposits	**1,120,365**	900,745
Time deposits	**15,226,374**	14,583,062
	19,893,077	18,890,774

(b) By sector

QAR'000s

	2014	2013
Government	**3,704,864**	3,817,299
Government and semi government agencies	**1,828,217**	2,748,972
Retail	**6,088,423**	5,356,445
Corporate	**8,271,573**	6,968,058
	19,893,077	18,890,774

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

16. (a) SUBORDINATED DEBT

QAR'000s

	2014	2013
USD 50 million Tier II qualified Subordinated Medium Term Notes	**182,000**	182,000

The terms of the issue are summarised below:

USD 50 million Tier II qualified Subordinated Medium Term Notes	December 27, 2017
Date of maturity	3 month LIBOR + 190 bps
Interest rate	March 30, 2015 and thereafter at half yearly intervals

16. (b) OTHER BORROWINGS

QAR'000s

	2014	2013
Term loan facilities	**1,476,582**	-

The table below shows the other borrowings of the Bank as at the end of the reporting period 31 December 2014

QAR'000s

Currency	Coupon Rate	Due Date	2014	2013
QAR	3 MONTH LIBOR 180+ Bps	October 31, 2019	748,582	-
USD	3 MONTH LIBOR 120+ Bps	September 16, 2017	728,000	-
	Total		**1,476,582**	-

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

17. OTHER LIABILITIES

QAR'000s

	2014	2013
Interest payable	**47,319**	36,255
Accrued expense payable	**77,648**	70,947
Other provisions (Refer (i) below)	**42,963**	45,603
Bills payable	**9,113**	5,525
Negative fair value of derivatives (Note 30)	**35,694**	11,845
Unearned income (Commission received in advance)	**81,224**	61,432
Cash margins	**67,975**	45,198
Dividend payable	**5,417**	15,099
QE clients payable	**593**	640
Social Levy liability	**15,032**	13,142
Staff provident fund	**16,569**	17,748
Staff pension fund	**1,466**	1,599
Due in relation to acceptances	**297,872**	314,707
Others	**38,334**	48,632
Total	**737,219**	688,372

(i) Other provisions

QAR'000s

	Staff indemnity	Legal provision	Others	Total 2014	Total 2013
Balance at 1 January	**32,152**	**10,006**	**3,445**	**45,603**	29,277
Provisions made/transferred during the year	**11,646**	**2,900**	**4,433**	**18,979**	20,662
	43,798	**12,906**	**7,878**	**64,582**	49,939
Provisions paid and written off during the year	**(8,681)**	**(10,853)**	**(2,085)**	**(21,619)**	(4,336)
Balance at 31 December	**35,117**	**2,053**	**5,793**	**42,963**	45,603

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

18. CAPITAL AND RESERVES

(a) Share capital

QAR'000s

In millions of shares	Ordinary shares **2014**	2013
On issue at the beginning of the reporting period	**127.08**	127.08
New shares issued (bonus issue)	**38.12**	-
On issue at 31 December	**165.20**	127.08

At 31 December 2014 the authorised share capital comprised 165.20 million ordinary shares (2013: 127.08 million). These instruments have a par value of QAR 10. All issued shares are fully paid.

Bonus issue

On 25 February 2014, the Bank issued bonus shares (ordinary shares) at the rate of 3 shares for every 10 shares held by the ordinary shareholders upon obtaining approval from the shareholders in the Annual General Meeting held on 25 February 2014.

(b) Legal reserve

In accordance with Qatar Central Bank's Law No. 13 of 2012 as amended, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 5 of 2002 and is subject to the approval of QCB. In the year ended 31 December 2014, the Group has transferred QR 60.13 million being 10% of the net profits (2013-nil).

(c) Risk reserve

In accordance with Qatar central Bank circular 102/2011, in 2014 2.5% (2.5%- 2013) of the net loans and advances to customers is required to be maintained, except for facilities granted to government and facilities against cash collateral. The total amount of the transfer made to the risk reserve was QAR 108,504 thousand (2013: QAR 128,288).

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

18. CAPITAL AND RESERVES (CONTINUED)

(d) Fair value reserves

This reserve comprises the fair value changes recognised on available-for-sale financial assets / and the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss

QAR'000s

	2014			2013		
	Available for sale investments	**Cash flow hedges**	**Total**	Available for sale investments	Cash flow hedges	Total
At 1 January	**28,273**	**-**	**28,273**	38,932	(1,051)	37,881
Realised during the year	**(3,790)**	**-**	**(3,790)**	(2,265)	1,051	(1,214)
Fair value (losses) / gains during the year	**18,744**	**-**	**18,744**	(50,025)	-	(50,025)
Net amount of impairment transferred to profit or loss	**6,360**	**-**	**6,360**	41,455	-	41,455
Amortised during the year on reclassification to loans and receivables	**220**	**-**	**220**	176	-	176
At 31 December	**49,807**	**-**	**49,807**	28,273	-	28,273

(e) Proposed bonus shares and dividend

A cash dividend of QR 1.5 per share amounting to QAR 247,796 thousands has been proposed by the Board of Directors for the year ended 31 December 2014 (2013: Nil).

The Board of Directors have also proposed the issue of bonus shares at the rate of one share for every ten shares held by ordinary shareholders as at 31 December 2014 amounting to QAR 165,198 thousands (2013: three shares for every ten shares amounting to QAR 381,225 thousands).

The above proposed cash dividend and issue of bonus shares is subject to the approval of the shareholders in their Annual General Meeting.

19. INTEREST INCOME

QAR'000s

	2014	2013
Balances with Qatar Central Bank	**7,568**	14,547
Due from banks	**8,238**	6,384
Debt securities	**173,101**	166,856
Loans and advances to customers	**831,852**	751,064
	1,020,759	938,851

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

20. INTEREST EXPENSE

QAR'000s

	2014	2013
Balances with Qatar Central Bank	**613**	16
Due to banks	**35,021**	32,151
Customer deposits	**233,652**	221,284
	269,286	253,451

21. FEE AND COMMISSION INCOME

QAR'000s

	2014	2013
Credit related fees	**79,936**	76,853
Brokerage fees	**5,620**	1,984
Banking services	**6,199**	4,679
Commission on unfunded facilities	**41,702**	36,526
Others	**5,918**	3,300
	139,375	123,342

22. FOREIGN EXCHANGE GAIN / (LOSS)

QAR'000s

	2014	2013
Dealing in foreign currencies	**19,635**	25,433
Revaluation of assets and liabilities	**(13)**	(13)
	19,622	25,420

23. INCOME FROM INVESTMENT SECURITIES

QAR'000s

	2014	2013
Net gains on sale of available-for-sale financial assets	**15,690**	4,346
Dividend income	**3,318**	6,694
	19,008	11,040

24. OTHER OPERATING INCOME

QAR'000s

	2014	2013
Rental income	**4,251**	4,456
Others	**183**	5
	4,434	4,461

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

25. STAFF COSTS

QAR'000s

	2014	2013
Basic salaries	**69,371**	52,177
Staff pension fund costs	**3,467**	1,930
Staff indemnity costs	**11,646**	14,420
Training	**1,962**	789
Other	**71,486**	85,195
	157,932	154,511

26. OTHER EXPENSES

QAR'000s

	2014	2013
Marketing and Advertising	**16,347**	10,576
Professional fees	**4,028**	2,867
Communication and insurance	**13,589**	12,866
Board of directors' remuneration	**12,120**	9,000
Occupancy and maintenance	**12,326**	12,453
Computer and IT costs	**13,307**	11,651
Printing and stationary	**3,517**	3,934
Others	**28,391**	33,957
	103,625	97,304

27. EARNINGS PER SHARE

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year:

QAR'000s

	2014	2013
Profit for the year attributable to the equity holders of the Bank	**601,273**	525,685
Weighted average number of outstanding shares	**165,197,502**	165,197,502
Earnings per share (QAR)	**3.64**	3.18

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

27. EARNINGS PER SHARE (CONTINUED)

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

QAR'000s	2014	2013
Weighted average number of shares at 1 January	**127,075,002**	127,075,002
Bonus shares issued on 25 February 2014	**38,122,500**	38,122,500
Weighted average number of shares at 31 December	**165,197,502**	165,197,502

28. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(a) Contingent liabilities

QAR'000s	2014	2013
Unused facilities-non cancellable	**10,344,210**	9,032,735
Guarantees	**4,495,981**	3,643,116
Letters of credit	**1,088,595**	702,914
	15,928,786	13,378,765

(b) Other commitments

QAR'000s	2014	2013
Forward foreign exchange contracts	**2,073,947**	2,464,536
Interest rate swaps	**1,124,760**	258,440
Legal claims	**-**	13,382
Total	**3,198,707**	2,736,358

Unused facilities
Commitments to extend credit represent contractual commitments to make loans and revolving credits. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and Letters of credit
Letters of credit and guarantees commit the Group to make payments on behalf of customers contingent upon their failure to perform under the terms of the contract. Guarantees and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credits, advance payment guarantees and endorsements liabilities from bills rediscounted.

Legal claims
At the end of the financial year 2014, the Group has allocated provisions of QAR 2,053 thousand to meet probable legal claims against the Group (2013: QAR 10,006 thousand). In the opinion of the Board of Directors, the provisions taken are considered sufficient.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

29. CASH AND CASH EQUIVALENTS

QAR'000s	2014	2013
Cash and balances with banks	**1,099,062**	338,708
Money market placements	**2,558,091**	2,206,147
	3,657,153	2,544,855

*Cash and balances with central banks do not include the mandatory cash reserve.

30. DERIVATIVES

QAR'000s

	Positive fair value	Negative fair value	Notional amount	Notional / expected amount by term to maturity: Within 3 months	12 - 3 months	5-1 Years	More than 5 years
At 31 December 2014:							
Derivatives held for trading/ fair value hedges:							
Forward foreign exchange contracts	**20,904**	**22,009**	**2,073,947**	**1,152,612**	**921,335**	**-**	**-**
Interest rate swaps	**2,353**	**13,685**	**1,124,760**	**-**	**-**	**396,760**	**728,000**
Derivatives held as cash flow hedges:							
Interest rate swaps	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**23,257**	**35,694**	**3,198,707**	**1,152,612**	**921,335**	**396,760**	**728,000**
At 31 December 2013:							
Derivatives held for trading/fair value hedges:							
Forward foreign exchange contracts	4,104	(11,591)	2,464,536	2,464,536	-	-	-
Interest rate swaps	4,302	(254)	258,440	-	76,440	145,600	36,400
Derivatives held as cash flow hedges:							
Interest rate swaps	-	-	-	-	-	-	-
Total	8,406	(11,845)	2,722,976	2,464,536	76,440	145,600	36,400

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

30. DERIVATIVES (CONTINUED)

In the ordinary course of business, the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices.

These include financial options, futures and forwards, interest rate swaps and currency swaps, which create rights and obligations that have the effect of transferring between the parties of the instrument one or more of the financial risks inherent in an underlying primary financial instrument. On inception, a derivative financial instrument gives one party a contractual right to exchange financial assets or financial liabilities with another party under conditions that are potentially favourable, or a contractual obligation to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable. However, they generally do not result in a transfer of the underlying primary financial instrument on inception of the contract, nor does such a transfer necessarily take place on maturity of the contract. Some instruments embody both a right and an obligation to make an exchange. Because the terms of the exchange are determined on inception of the derivative instruments, as prices in financial markets change, those terms may become either favourable or unfavourable.

Derivative product types

Forwards exchange contracts are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Forwards exchange contracts are customised contracts transacted in the over-the-counter market.

Swaps are contractual agreements between two parties to exchange interest or foreign currency differentials based on a specific notional amount. For interest rate swaps, counterparties generally exchange fixed and floating rate interest payments based on a notional value in a single currency.

Derivatives held for trading purposes

Most of the Group's derivative trading activities relate to customer driven transactions as well as positioning and arbitrage. Positioning involves managing positions with the expectation of profiting from favorable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products.

Derivatives held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to currency and interest rate movements. This is achieved by hedging specific financial instruments and forecasted transactions, as well as strategic hedging against overall consolidated statement of financial position exposures.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks. In addition, the Group uses interest rate swaps to hedge against the interest rate risk arising from specifically identified fixed rate exposures. The Group also uses interest rate swaps to hedge against the cash flow risks arising on certain floating rate liabilities. In all such cases the hedging relationship and objective, including details of the hedged item and hedging instrument, are formally documented and the transactions are accounted for as fair value or cash flow hedges. Hedging of interest rate risk is also carried out by monitoring the duration of assets and liabilities and entering into interest rate swaps to hedge net interest rate exposures. Since hedging of net positions does not qualify for special hedge accounting, related derivatives are accounted for the same way as trading instruments.

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

31. FIDUCIARY ACTIVITIES

The Group provides investment brokerage and custody services to customers. Those assets that are held in a fiduciary capacity are excluded from these consolidated financial statements and amount to QR 598,428 thousand at 31 December 2014 (2013: QR 598,081 thousand).

32. SOCIAL AND SPORTS FUND

During the year, the Group made an appropriation of QR15,032 thousands (31 December 2013- QR 13,142 thousands) representing 2.5% of the net profit for the year ended 31 December 2013, pursuant to the Law No.13 of 2008 and further clarifications for the Law issued in 2010.

33. RELATED PARTIES

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

The Group enters into transactions with major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled, or significantly influenced by such parties. All the loans, advances and financing activities to related parties are given at market rates and these are performing and free of any allowance for possible credit losses

Notes to the Consolidated Financial statements

As at and for the year ended 31 December 2014

33. RELATED PARTIES (CONTINUED)

The balances of related parties included in the consolidated financial statements are as follows:

QAR'000s

	2014		2013	
	Board of directors	**Shareholders**	Board of directors	Shareholders
Assets:				
Due from banks	-	-	-	-
Loans and advances to customers	635,863	-	653,836	-
Financial investments			-	-
Liabilities:				
Customer deposits	253,881	1,373,390	341,791	1,858,514
Due to banks	-	-	-	-
Unfunded items:				
Letters of guarantee, letters of credit, commitments and indirect credit facilities	8,603	-	7,319	-
Interest rate swaps	-	-	-	-
Income statement items:				
Interest and fee and commission income	3,583	-	4,685	-
Interest and fee and commission expense	6,001	-	7,715	-
Board of Directors' remuneration	12,120	-	9,000	-

(a) Transactions with key management personnel

Key management personnel (other than Board of Directors) and their immediate relatives have transacted with the Group during the year as follows:

QAR'000s

	2014	2013
Other loans	**2,134**	165

Key management personnel compensation for the year ended comprised:

	2014	2013
Salaries and short term employee benefits	**25,359**	17,916
Post employment benefits	**7,015**	6,118
	32,374	24,034

Supplementary Information

As at and for the year ended 31 December 2014

34. COMPARATIVES

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

FINANCIAL STATEMENTS OF THE PARENT BANK

(a) Statement of Financial Position – Parent Bank

QAR'000s

	2014	2013
As at 31 December		
ASSETS		
Cash and balances with central banks	**2,035,768**	1,194,554
Due from banks	**2,558,091**	2,206,147
Loans and advances to customers	**21,307,947**	17,312,451
Investment securities	**4,983,730**	5,067,670
Property and equipment	**251,513**	176,569
Other assets	**293,274**	268,236
TOTAL ASSETS	**31,430,323**	26,225,627
LIABILITIES		
Due to banks	**2,527,626**	1,785,008
Certificate of deposits	**2,392,800**	1,067,695
Customer deposits	**19,931,262**	18,927,808
Debt securities	**182,000**	182,000
Other Borrowings	**1,476,582**	-
Other liabilities	**736,343**	687,634
TOTAL LIABILITIES	**27,246,613**	22,650,145
EQUITY		
Share capital	**1,651,975**	1,270,750
Legal reserve	**1,397,849**	1,337,722
Risk reserve	**491,498**	382,994
Fair value reserves	**49,807**	28,273
Retained earnings	**592,581**	555,743
TOTAL EQUITY	**4,183,710**	3,575,482
TOTAL LIABILITIES AND EQUITY	**31,430,323**	26,225,627

Supplementary Information

34. COMPARATIVES (CONTINUED)

FINANCIAL STATEMENTS OF THE PARENT BANK

(b) Income Statement – Parent Bank

QAR'000s

	2014	2013
For the year ended 31 December		
Interest income	**1,020,759**	938,851
Interest expense	**(269,849)**	(254,040)
Net interest income	**750,910**	684,811
Net fee and commission income	**133,411**	121,443
Foreign exchange gain / (loss)	**19,622**	25,420
Income from investment securities	**18,664**	10,736
Other operating income	**4,434**	4,458
Net operating income	**927,041**	846,868
Staff costs	**(154,595)**	(151,993)
Depreciation and amortisation	**(17,519)**	(21,101)
Net provisions	**(52,501)**	(49,519)
Other expenses	**(100,700)**	(94,411)
Profit for the year	**601,726**	529,844