CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

The Commerical Bank of Qatar (Q.S.C)

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF THE COMMERCIAL BANK OF QATAR (Q.S.C.)

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of The Commercial Bank of Qatar Q.S.C. (the "Bank"), which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows 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

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

Auditors' 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 about 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 consider internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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 at 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of the Qatar Central Bank regulations.

Report on other legal and regulatory requirements
We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its 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 the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 5 of 2002 or the terms of the Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position as at 31 December 2014.

09 February 2015
Doha
State of Qatar

Gopal Balasubramaniam
Partner, KPMG
Auditors' Registration No. 251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION QAR '000s

As at 31 December	Notes	2014	2013
ASSETS			
Cash and balances with central banks	8	6,940,968	6,902,547
Due from banks	9	15,493,763	15,177,969
Loans and advances to customers	10	72,541,236	66,862,544
Investment securities	11	11,621,238	14,706,294
Investment in associates	12	4,446,826	4,198,469
Property and equipment	13	1,310,515	1,283,186
Intangible assets	14	859,923	996,486
Other assets	15	2,437,879	2,984,370
TOTAL ASSETS		**115,652,348**	113,111,865
LIABILITIES			
Due to banks	16	14,124,506	12,599,210
Customer deposits	17	61,561,219	63,419,931
Debt securities	18	9,544,796	9,759,667
Other borrowings	19	9,339,678	7,345,717
Other liabilities	20	3,386,036	3,432,245
TOTAL LIABILITIES		**97,956,235**	96,556,770
EQUITY			
Share capital	21(a)	2,969,356	2,474,464
Legal reserve	21(b)	8,820,294	8,820,259
General reserve	21(c)	26,500	26,500
Risk reserve	21(d)	1,708,632	1,316,300
Fair value reserves	21(e)	91,003	(146,525)
Foreign currency translation reserve		(411,131)	(232,988)
Other reserves	21(f)	1,098,090	835,840
Other equity	39	(723,721)	(512,761)
Retained earnings		1,449,313	1,381,870
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**15,028,336**	13,962,959
Non-controlling interests		667,777	592,136
Instrument eligible for additional capital	21(i)	2,000,000	2,000,000
TOTAL EQUITY		**17,696,113**	16,555,095
TOTAL LIABILITIES AND EQUITY		**115,652,348**	113,111,865

The consolidated financial statements were approved by the Board of Directors on 9 February 2015 and were signed on its behalf by:

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Sheikh Abdullah Bin Ali Bin Jabor Al Thani	**Mr. Hussain Ibrahim Alfardan**	**Mr. Abdulla Saleh Al Raisi**
Chairman	Vice Chairman & Managing Director	Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT QAR '000s

For the year ended 31 December	Notes	2014	2013
Interest income	24	4,641,111	3,607,146
Interest expense	25	(2,060,445)	(1,418,787)
Net interest income		**2,580,666**	2,188,359
Fee and commission income	26	1,170,253	852,473
Fee and commission expense	27	(290,641)	(176,883)
Net fee and commission income		**879,612**	675,590
Net foreign exchange gain	28	119,656	179,388
Income from investment securities	29	185,470	209,534
Other operating income	30	137,065	181,025
Net operating income		**3,902,469**	3,433,896
Staff costs	31	(832,467)	(684,700)
Depreciation	13	(143,261)	(140,473)
Amortization of intangible assets	14	(52,657)	(3,252)
Impairment loss on investment securities	11	(49,811)	(109,937)
Net impairment loss on loans and advances to customers	10	(622,818)	(603,967)
Other expenses	32	(591,962)	(608,742)
Profit before share of results of associates		**1,609,493**	1,282,825
Share of results of associates	12	381,166	324,933
Profit before tax		**1,990,659**	1,607,758
Income tax expenses		(50,446)	(2,380)
Profit for the year		**1,940,213**	1,605,378
Attributable to:			
Equity holders of the Bank		**1,880,316**	1,604,485
Non-controlling interests		59,897	893
Profit for the year		**1,940,213**	1,605,378
Earnings per share			
Basic/diluted earnings per share (QAR per share)	33	**5.93**	5.40

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QAR '000s

For the year ended 31 December	Notes	2014	2013
Profit for the year		**1,940,213**	1,605,378
Other comprehensive income for the year:			
Items that are or may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operation	22	(239,955)	(232,988)
Share of other comprehensive income of investment in associates	22	(6,392)	(17,924)
Net movement in fair value of available-for-sale investments	22	243,920	(291,826)
Other comprehensive income for the year		**(2,427)**	(542,738)
Total comprehensive income for the year		**1,937,786**	1,062,640
Attributable to:			
Equity holders of the Bank		1,939,701	1,061,747
Non-controlling interests		(1,915)	893
Total comprehensive income for the year		**1,937,786**	1,062,640

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QAR 000s

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Other equity	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instrument eligible for additional capital	Total equity
Balance as at 1 January 2014		2,474,464	8,820,259	26,500	1,316,300	(146,525)	(232,988)	835,840	(512,761)	1,381,870	13,962,959	592,136	2,000,000	16,555,095
Total comprehensive income for the year														
Profit for the year		-	-	-	-	-	-	-	-	1,880,316	1,880,316	59,897	-	1,940,213
Other comprehensive income		-	-	-	-	237,528	(178,143)	-	-		59,385	(61,812)	-	(2,427)
Total comprehensive income for the year		-	-	-	-	237,528	(178,143)	-	-	1,880,316	1,939,701	(1,915)	-	1,937,786
Transfer to risk reserve	21(d)	-	-	-	392,332	-	-	-	-	(392,332)	-	-	-	-
Dividend for instrument eligible for additional capital	21(i)	-	-	-	-	-	-	-	-	(120,000)	(120,000)	-	-	(120,000)
Net movement in other reserves	21(f)	-	-	-	-	-	-	262,250	-	(262,250)		-	-	
Social and sports fund appropriation	23	-	-	-	-	-	-	-	-	(48,505)	(48,505)	-	-	(48,505)
Transactions with equity holders of the bank recognised directly in equity														
Contributions by and distributions to equity holders of the bank:														
Increase in share capital		-	-	-	-	-	-	-	-	-	-	80,555	-	80,555
Increase in legal reserve		-	35	-	-	-	-	-	-	-	35	-	-	35
Dividends declared for the year 2013	21(h)	-	-	-	-	-	-	-	-	(494,894)	(494,894)	-	-	(494,894)
Bonus issue	21(a)	494,892	-	-	-	-	-	-	-	(494,892)	-	-	-	
Put option on non-controlling interest	39	-	-	-	-	-	-	-	(210,960)	-	(210,960)	-	-	(210,960)
Total contributions by and distributions to equity holders of the bank		494,892	35	-	-	-	-	-	(210,960)	(989,786)	(705,819)	80,555	-	(625,264)
Net movement in non-controlling interest		-	-	-	-	-	-	-	-	-	-	(2,999)	-	(2,999)
Balance as at 31 December 2014		**2,969,356**	**8,820,294**	**26,500**	**1,708,632**	**91,003**	**(411,131)**	**1,098,090**	**(723,721)**	**1,449,313**	**15,028,336**	**667,777**	**2,000,000**	**17,696,113**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QAR 000s

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Other equity	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instrument eligible for additional capital	Total equity
Balance as at 1 January 2013		2,474,464	8,740,540	26,500	924,600	163,225	-	673,604	-	1,936,445	14,939,378	-	-	14,939,378
Total comprehensive income for the year														
Profit for the year		-	-	-	-	-	-	-	-	1,604,485	1,604,485	893		1,605,378
Other comprehensive loss		-	-	-	-	(309,750)	(232,988)	-	-	-	(542,738)		-	(542,738)
Total comprehensive income for the year		-	-		-	(309,750)	(232,988)	-	-	1,604,485	1,061,747	893	-	1,062,640
Transfer to risk reserve	21(d)	-	-	-	391,700	-	-	-	-	(391,700)	-	-	-	-
Instrument eligible for additional capital	21(h)	-	-	-		-	-	-	-	-	-	-	2,000,000	2,000,000
Net movement in legal and other reserves			79,719				-	162,236		(241,955)	-	-	-	-
Social and sports fund appropriation	23	-	-	-	-	-	-	-	-	(40,135)	(40,135)	-		(40,135)
Transactions with equity holders of the bank recognised directly in equity														
Contributions by and distributions to equity holders of the bank:		-	-	-	-	-	-	-	-	-	-	-		-
Dividends declared for the year 2012	21(h)	-	-	-	-	-	-	-	-	(1,484,678)	(1,484,678)	(7,810)	-	(1,492,488)
Put option on non-controlling interest	39	-	-	-	-	-	-	-	(512,761)	-	(512,761)	-	-	(512,761)
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-	-	-	(512,761)	(1,484,678)	(1,997,439)	(7,810)	-	(2,005,249)
Net movement in non-controlling interest		-	-	-	-	-	-	-	-	(592)	(592)	599,053	-	598,461
Balance as at 31 December 2013		2,474,464	8,820,259	26,500	1,316,300	(146,525)	(232,988)	835,840	(512,761)	1,381,870	13,962,959	592,136	2,000,000	16,555,095

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

The Commercial Bank of Qatar (Q.S.C.)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER **QAR '000s**

	Notes	2014	2013
Cash flows from operating activities			
Profit for the year before income tax		1,990,659	1,607,758
Adjustments for:			
Net impairment loss on loans and advances to customers	10 (c)	622,818	603,967
Impairment loss on investment securities	11 (c)	49,811	109,937
Depreciation	13	143,261	140,473
Amortization of intangible assets	14	52,657	3,252
Amortization of transaction costs on borrowings	18&19	27,850	21,742
Loss / (gain) on investment securities at fair value through profit or loss	29	(2,179)	2,770
Net gain on disposal of available-for-sale investments	29	(166,787)	(193,450)
Gain on disposal of property and equipment		(138)	-
Gain on disposal of other assets		(16,964)	(31,944)
Share of results of associates	12	(381,166)	(324,933)
Operating profit before working capital changes		**2,319,822**	1,939,572
Working capital changes			
Change in due from banks		(2,613,438)	(1,943,821)
Change in loans and advances to customers		(7,658,614)	(8,833,156)
Change in other assets		336,868	(1,096,323)
Change in due to banks		1,694,420	663,905
Change in customer deposits		(1,010,400)	14,879,996
Change in other liabilities		(150,517)	681,774
Contribution to social and sports fund		(40,135)	(50,307)
Cash (used in) / from operations		**(7,121,944)**	6,241,640
Income tax paid		(44,015)	(130)
Net cash (used in) / from operating activities		**(7,166,009)**	6,241,510
Cash flows from investing activities			
Acquisition of investment securities		(11,035,104)	(9,949,548)
Proceeds from redemption of capital from investment in associate		7,500	-
Dividend received from associates		118,916	162,697
Acquisition of a subsidiary, net of cash acquired		-	(1,112,787)
Proceeds from sale/maturity of investment securities		14,257,835	8,781,890
Acquisition of property and equipment	13	(176,354)	(187,790)
Acquisition of intangible assests		(7,031)	-
Proceeds from the sale of property and equipment		909	-
Proceeds from the sale of other assets		16,964	151,000
Net cash from / (used in) investing activities		**3,183,635**	(2,154,538)
Cash flows from financing activities			
Proceeds from issue of debt securities	18	4,064,863	515,870
Repayment of debt securities	18	(4,020,435)	(563,265)
Repayment of other borrowings	19	(4,425,817)	(2,407,427)
Proceeds from other borrowings	19	6,835,137	4,014,764
Proceeds from issue of instrument eligible for additional capital		-	2,000,000
Dividends paid		(494,892)	(1,492,488)
Net cash from financing activities		**1,958,856**	2,067,454
Net (decrease) / increase in cash and cash equivalents		(2,023,518)	6,154,426
Effect of exchange rate fluctuations		(91,479)	(100,337)
Cash and cash equivalents as at 1 January		14,864,674	8,810,585
Cash and cash equivalents as at 31 December	35	**12,749,677**	14,864,674
Net cash flows from operating activities:			
Interest paid		1,158,924	1,173,089
Interest received		3,162,607	3,053,973
Dividend received		16,504	18,854

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

As at and for the year ended 31 December 2014 QAR '000s

1. REPORTING ENTITY

The Commercial Bank of Qatar (Q.S.C.) ("the Bank") is an entity domiciled in the State of Qatar and was incorporated in 1974 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration number of the Bank is 150. The address of the Bank's registered office is PO Box 3232, Doha, State of Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as "the Group"). The Group is primarily engaged in conventional banking, brokerage services and credit card business and operates through its head office, subsidiraries and branches.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Capital	Activity	Percentage of ownership 2014	2013
Alternatifbank A.S. ("ABank")	Turkey	TRY 620,000,000	Banking services	74.24%	74.24%
Commercial Bank Investment Services (S.P.C.)	Qatar	QAR 100,000,000	Brokerage services	100%	100%
Orient1 Limited	Bermuda	US$ 20,000,000	Holding Company	100%	100%
Global Card Services L.L.C.	Sultanate of Oman	OMR 500,000	Credit card business	100%	100%
CBQ Finance Limited	Bermuda	US$ 1,000	Debt issuance for the Bank	100%	100%

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.

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement within twelve months after the end of reporting date ("current") and more than twelve months after the reporting date ("non-current") is presented in Note 4(c) (iii).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following account balances that are measured at fair value:

- investment securities designated at fair value through income statement;
- derivatives;
- available-for-sale investments; and
- the carrying values of recognised assets and liabilities that are hedged items in quantifying fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

(c) Functional and presentation currency

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

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in note 3(z), 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 the Group entities.

(a) Basis of consolidation

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

(ii) Non-controlling interests (NCI)

In accordance with IFRS 3R, for each business combination, the acquirer can measure, at the acquisition date, components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value on the acquisition date; or

(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

NCI is measured only on initial recognition. The Group measures the NCI at fair value, including its share of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group.

(iv) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(v) Associates

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

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

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

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intergroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred

(vi) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in Note 37

(vii) Put option on non-controlling interests (NCI)

The fair value of the put option on the NCI is calculated as the present value of the redemption amount in accordance with IAS 32 is recognised as a liability, regardless of the probability of exercise, as this is not within the Group's control. This put option does not affect the goodwill and NCI valuation as it is recorded separately within equity. If the put option expires without exercising, this recorded value would be reversed.

This puttable instrument on NCI relates to the acquisition of Alternatifbank A.S. ("ABank") is recognised as a liability with the debit recognised in 'Other Equity'. Subsequent changes in the fair value are recognised through equity

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency

(i) Foreign currency transactions and balances

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

The gains and losses on revaluation of foreign currency non-monetary available-for-sale investments are recognised in the consolidated statement of changes in equity.

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.

(ii) Foreign operations

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

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

Exchange differences arising from the above process are reported in equity and NCI as 'foreign currency translation reserve".
When the Group has any foreign operation that is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification

Financial assets

At inception a financial asset is classified in one of the following categories:

- loans and receivables (LaR);
- held to maturity (HTM);
- available-for-sale (AFS); and
- at fair value through profit or loss (FVTPL), either as: held for trading; or FVTPL on initial designation

Financial assets held for trading

A financial asset is classified as held-for-trading if it is:

- acquired or incureed principally for the purpose of selling or repurchasing it in the near term;
- on initial recongnition, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative, except for a derivative that is a designated and effective hedging instrument.

Financial assets designated as at FVTPL

In addition to financial assets held for trading, financial assets are classified in the FVTPL category on initial recognition, to designate such instruments as a FVTPL using the fair value option in one of the following circumstances:

When doing so results in more relevant information because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would result from measuring assets or liabilities or recognising gains or losses on them on different bases (an "accounting mismatch"); or
- a group of financial assets or liablities (or both) is managed and its performance is evaluated on a fair value basis in accordance with the entity's document risk management or investment strategy and information is provided by key management personnel on this basis.

Financial liabilities

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

(iii) Derecognition

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

The Group enters into transactions whereby it transfers assets recognised, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
(c) Financial assets and financial liabilities (continued)
(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated 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, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Measurement principles
(i) 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 paid or received that are an integral part of the effective interest rate (EIR).

(ii) 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.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out

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.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.
The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial assets and financial liabilities (continued)

(iii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Group considers evidence of impairment loss for loans and advances to customers and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held-to-maturity investment securities with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances to customers.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit 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.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

For listed investments, a decline in the market value from cost by 20% or more, or a decline in the market value from cost 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 previously impaired available-for-sale equity investment securities is recorded in fair value reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 original 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 include amounts due from banks and with an original maturity of 90 days or less.

(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, cash and balances with central banks and due from banks are classified as 'loans and receivables'.

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', 'fair value through profit or loss', 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 are carried at amortised cost using the effective interest method.

(ii) Fair value through profit or loss

The Group has classified its investments as held for trading where such investments are managed for short term profit taking or designated certain investments as fair value through profit or loss. Fair value changes on these investments are recognised immediately in profit or loss.

(iii) Available-for-sale financial investments

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 transferred to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives

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

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is (are) expected to be *highly effective* in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss. These hedging relationships are discussed below.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'Other gains/ (losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'Other gains/ (losses) – net'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivatives (continued)

(ii) Derivatives held for trading purposes

The Group's derivative trading instruments includes, forward foreign exchange contracts and interest rate swaps. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of reporting date and the corresponding fair value changes is taken to the profit or loss.

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

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

(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

The 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. Land and Capital work in progress are not depreciated.

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

Buildings	20 years
Leasehold improvements	6 - 10 years
Furniture and equipment	3 - 8 years
Motor vehicles	5 years

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of goodwill and intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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 this 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. Financial guarantees are included within other liabilities.

(m) Employee benefits

Defined contribution plans

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

Defined benefit plan

The Bank makes provision for end of service benefits payable to its expatriate employees on the basis of the employees' length of service in accordance with the employment policy of the Bank and the applicable provisions of the Labour Law. This provision is included in other provisions as part of other liabilities in the consolidated statement of financial position. The expected costs of these benefits are accrued over the period of employment.

ABank (the Bank's subsidiary), under Turkish Labour Law, is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary subject to a maximum threshold per employee for each year of service. There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement

Short-term employee benefits

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

(n) Share capital and reserves

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading, are recognized within 'interest income' and 'interest expense' 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 financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial 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 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 financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(p) Fee and commission income and expense

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(q) Income from investment securities

Gains or losses on the disposal 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.

(r) Dividend income

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

(s) Income tax expenses

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are exempted from income tax.

(t) Earnings per share

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

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer of the Bank as its chief operating decision maker.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining operating segment performance.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Fiduciary activities

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

(w) Repossessed collateral

Repossessed collaterals in settlement of customers' debts are stated under "Other assets". According to QCB instructions, the Group should dispose of any land and properties acquired in settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended with the approval of QCB.

(x) Comparatives

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

(y) Parent financial information

Statement of financial position and income statement of the Parent, disclosed as supplementary information, are prepared following the same accounting policies as mentioned above except for; investment in subsidiaries and associates which are not consolidated and are carried at cost; and, any dividends received from subsidiaries and associates are recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2014

The following standards, amendments and interpretations, which became effective as of 1 January 2014, and are relevant to the Group:

a) Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The Group concluded that it does not meet the definition of an "investment entity" and hence the above amendments are not applicable to the Group.

b) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

The adoption of this amendment had no significant impact on the consolidated financial statements.

c) Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 *Fair Value Measurements*.

The application of these amendments at the Group level had no material impact on the disclosures in the Group's consolidated financial statements.

d) Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments have been applied retrospectively.

The adoption of this amendment had no significant impact on the consolidated financial statements.

e) IFRIC 21 Levies

IFRIC 21 on Levies (amendments to IAS 32) provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy.

The Group is not expecting a significant impact from the adoption of these amendments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New standards, amendments and interpretations (Continued)

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

A number of new standards, amendments to standards and interpretations which have been issued but are not 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

IFRS 9 published in July 2014, replaces the existing IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes.*

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

c) Amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

d) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The above amendment does not have any material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New standards, amendments and interpretations (continued)

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

e) Amendments to IAS 16 and IAS 41

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

f) Amendments to IAS 19 Defined Benefit Plans: *Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application

The Group did not early adopt any standards or interpretations.

g) Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application are permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application.

The following are the key amendments in brief:

- The amendments to **IFRS 2** changes the definitions of "vesting condition" and "market condition" ; and add definitions for "performance condition" and "service condition" which were previously included in the definition of vesting condition.

- The amendments to **IFRS 3** clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended to exclude provisions related to contingent consideration. IFRS 3 is also not applicable to the accounting for the formation of all types of joint arrangements in IFRS 11 Joint Arrangements (including joint operations) in the financial statements of joint arrangements themselves.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New standards, amendments and interpretations (continued)

New standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2014 and their likely impact on the consolidated financial statements for the Group (continued)

Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle (continued)

- **IFRS 8** has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:

- a brief description of the operating segments that have been aggregated; and
- the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing **IFRS 13** and making consequential amendments to **IAS 39 and IFRS 9**, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

-The amendments to **IAS 16 and IAS 38** remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- The amendments to **IAS 24** clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

IAS 40 has been amended to clarify that an entity should:

- assess whether an acquired property is an investment property under IAS 40; and
- perform a separate assessment under IFRS 3 to determine whether the acquisition of theinvestment property constitutes a business combination.

Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

The Group's business involves taking 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.

Financial instruments

Financial instruments comprise the Group's financial assets and liabilities. Financial assets include cash and balances with Central banks, due from banks, loans and advances, investment securities, derivative financial assets and certain other assets and financial liabilities include customer deposits, borrowings under repurchase agreements and due to banks, debt issued and other borrowed funds, derivative financial liabilities and certain other liabilities. Financial instruments also include rights and commitments included in off- balance sheet items.

Note 3(c) describes the accounting policies followed by the Group in respect of recognition and measurement of the key financial instruments and their related income and expense.

Risk management

The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations. Market risk, which includes foreign currency, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields. Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events or execution or regulatory issues.

The Group's Market Risk and Structural Risk Management policies envisage the use of interest rate derivative contracts and foreign exchange derivative contracts as part of its asset and liability management process.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk and other committees

The governance structure of the Group is headed by the Board of Directors. The Board of Directors evaluates risk involving the Chief Executive Officer and the following Board and Management Committees:

1) Board Risk Committee is responsible for all aspects of Enterprise Risk Management including but not restricted to credit risk, market risk, and operational risk. This committee sets the policy on all risk issues and maintains oversight of all Group risks through the Management Risk Committee.

2) Board Audit Committee is responsible for setting the policy on all Audit issues and maintains oversight of all Bank audit issues through the Management Audit Committee. In addition, it is also be responsible for Compliance & Anti-Money Laundering.

3) Policy, Strategy and Governance Committee is a Board committee which is responsible for all policies and strategies of the business and compliance of corporate Governance.

4) Board Executive Committee is responsible for evaluating and granting credit facilities and approval of the Group's investment activities within authorized limits per Qatar Central Bank and Board of Directors' guidelines.

5) Management Credit Committee is the third highest-level authority on all Counterparty Credit Risk Exposures, after the Board of Directors and Board Executive Committee. The Committee exercises the powers as conferred upon it by the Delegation of Authority ("DoA") for Corporate Credit as approved by the Board.

6) Management Risk Committee is the highest management authority on all risk related issues in the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.

7) Asset and Liability Committee (ALCO) is a management committee which is a decision making body for developing policies relating to Asset and Liability management. (i.e. balance sheet structure, funding, pricing, hedging, setting limits etc) Under the overall risk management framework, ALCO is a key component of risk management within the Bank.

8) Investment Committee (IC) is the decision making committee for Cb's investment activities, with a view to optimize returns, ensuring that the investment book provides a liquidity buffer for the bank and mitigate market risk attached to the nature of targeted investment.

9) Special Assets Management (SAM) Committee is the authority for management of all Special Assets (SA) to minimize risks, prevent losses, maximize recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions.

10) Crisis Management Committee (CMC) is the authority for management of a crisis entailing, prevention, planning, testing, evaluation and maintenance to mitigate and minimize the consequences.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk is attributed to both on-balance sheet financial instruments such as loans, overdrafts, debt securities and other bills, investments, and acceptances and credit equivalent amounts related to off-balance sheet financial instruments. The Group's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the organisation, guide the day-to-day management of credit exposure and remain an integral part of the business culture. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance this strong credit culture.

(i) Credit risk measurement

1. Loans and advances

The Group's aim is to maintain a sound asset portfolio by enhancing its loan mix. This is being achieved through a strategy of reducing exposure to non-core client relationships while increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages, which have historically recorded very low loss rates. In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

(i) The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They combine statistical analysis along with the business relationship officers and credit risk officers assessment and are validated, where appropriate, by comparison with externally available data. Clients of the Group are segmented based on a 10 point rating scale. The Group's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

The ratings of the major rating agency are mapped to Group's rating grades based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

2. Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's and Moody's ratings or their equivalents are used by Group Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Risk limit control and mitigation policies

Portfolio diversification

Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Group is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfil its payment obligations, large exposure limits have been established per credit policy following the local regulations. Limits are also in place to manage exposures to a particular country or sector. These risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary.

Collateral

In order to proactively respond to credit deterioration, the Group employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

• Mortgages over residential properties;

• Charges over business assets such as premises, inventory and accounts receivable;

• Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as at the reporting date. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honours its obligation but the counterparty fails to deliver the counter-value.

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

	2014	2013
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	6,258,314	6,281,842
Due from banks	15,493,763	15,177,969
Loans and advances to customers	72,541,236	66,862,544
Investment securities - debt	10,800,524	13,804,728
Other assets	1,123,417	1,746,772
Total as at 31 December	**106,217,254**	103,873,855
Other credit risk exposures are as follows:		
Guarantees	21,449,106	18,569,021
Letter of credit	4,046,513	5,408,175
Unutilised credit facilities	6,156,369	7,980,374
Total as at 31 December	**31,651,988**	31,957,570
	137,869,242	135,831,425

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.

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Geographical sectors

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

2014

	Qatar	**Other GCC**	**Other Middle East**	**Rest of the world**	**Total**
Balances with central banks	4,287,298	-	1,971,016	-	6,258,314
Due from banks	3,082,722	4,476,771	2,175,690	5,758,580	15,493,763
Loans and advances to customers	54,055,200	3,201,501	14,764,923	519,612	72,541,236
Investment securities - debt	7,947,761	885,566	1,457,970	509,227	10,800,524
Other assets	549,928	57,815	388,699	126,975	1,123,417
	69,922,909	**8,621,653**	**20,758,298**	**6,914,394**	**106,217,254**

2013

	Qatar	Other GCC	Other Middle East	Rest of the world	Total
Balances with central bank	4,291,936	-	1,989,906	-	6,281,842
Due from banks and financial institutions	3,209,250	3,050,475	1,805,186	7,113,058	15,177,969
Loans and advances to customers	49,775,938	2,960,095	12,702,739	1,423,772	66,862,544
Investment securities - debt	9,203,373	771,590	3,178,332	651,433	13,804,728
Other assets	549,497	115,984	855,941	225,350	1,746,772
	67,029,994	6,898,144	20,532,104	9,413,613	103,873,855

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Credit risk (continued)
(iv) Concentration of risks of financial assets with credit risk exposure (continued)

2014

	Qatar	**Other GCC**	**Other Middle East**	**Rest of the world**	**Total**
Guarantees	7,779,080	2,547,735	2,645,223	8,477,068	21,449,106
Letter of credit	3,249,747	48,810	593,327	154,629	4,046,513
Unutilised credit facilities	3,878,649	910,050	1,332,775	34,895	6,156,369
	14,907,476	**3,506,595**	**4,571,325**	**8,666,592**	**31,651,988**

2013

	Qatar	Other GCC	Other Middle East	Rest of the world	Total
Guarantees	5,844,124	2,113,014	3,551,414	7,060,469	18,569,021
Letter of credit	3,007,735	32,471	551,573	1,816,396	5,408,175
Unutilised credit facilities	5,942,265	728,050	1,226,104	83,955	7,980,374
	14,794,124	2,873,535	5,329,091	8,960,820	31,957,570

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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.

	Gross exposure 2014	Gross exposure 2013
Funded		
Government	20,321,133	22,041,013
Government agencies	2,992,344	3,404,227
Industry	6,168,011	5,565,329
Commercial	11,259,543	11,090,974
Services	29,591,236	26,185,935
Contracting	6,755,481	5,919,606
Real estate	19,546,127	22,551,625
Consumers	7,775,635	5,557,729
Other Sectors	1,807,744	1,557,417
Total funded	**106,217,254**	103,873,855
Un-funded		
Government institutions & semi government agencies	2,013,008	3,087,077
Financial services	5,205,187	4,999,106
Commercial and others	24,433,793	23,871,387
Total un-funded	31,651,988	31,957,570
Total	**137,869,242**	135,831,425

Total maximum exposure net of tangible collateral is QAR 64 billion (2013: QAR 65 billion). The types of collateral obtained include cash, mortgages over real estate properties and pledges of shares.

Credit risk exposure

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

	2014	2013
Equivalent grades		
AAA to AA-	30,054,417	38,680,845
A+ to A-	11,573,752	10,729,303
BBB+ to BBB-	65,055,922	59,007,766
BB+ to B-	11,926,010	8,721,217
Unrated/ equivalent internal grading	19,259,141	18,692,294
	137,869,242	135,831,425

The majoirty of the unrated exposures represent credit facilities granted to corporations by the Group's subsidiary ABank.

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Credit risk (continued)
(v) Credit quality

The following table sets out the credit qualities of the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements.

	Loans and advances to customers		Due from banks		Investment securities - debt	
	2014	2013	**2014**	2013	**2014**	2013
Neither past due nor impaired:						
A: Low risk	22,176,228	19,790,475	8,707,085	12,109,357	9,731,770	12,901,973
B: Standard/satisfactory risk	47,570,032	42,574,300	6,786,678	3,068,612	1,068,754	902,755
	69,746,260	62,364,775	**15,493,763**	15,177,969	**10,800,524**	13,804,728
Past due but not impaired :						
A: Low risk	1,012,327	1,458,718		-		-
B: Standard/satisfactory risk	1,055,193	2,115,032		-		-
	2,067,520	3,573,750	**-**	-	**-**	-
Impaired:						
C: Substandard	317,152	1,260,271		-		-
D: Doubtful	253,547	47,146		-		-
E: Bad debts	2,256,530	1,188,483		-	104,526	125,421
	2,827,229	2,495,900	**-**	-	**104,526**	125,421
Less: impairment allowance-specific	(1,512,945)	(1,072,298)		-	(104,526)	(125,421)
Less: impairment allowance-collective	(586,828)	(499,583)		-	-	-
	727,456	924,019	**-**	-	**-**	-
Carrying amount – net	**72,541,236**	66,862,544	**15,493,763**	15,177,969	**10,800,524**	13,804,728

	2014	2013
Investment securities - debt		
Available-for-sale	10,787,029	13,742,056
Investment securities designated at fair value through income statement	118,021	188,093
Less: impairment allowance	(104,526)	(125,421)
Carrying amount – net	**10,800,524**	13,804,728

Note: None of the other assets are past due or impaired as at 31 December 2014 and 31 December 2013.

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Credit risk (continued)
(v) Credit quality (continued)

Impaired loans and advances to customers and investment in debt securities
Individually impaired loans and advances to customers and investment in debt securities are those instruments 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).

Investment in debt securities carried at fair value through profit or losses are not assessed for impairment but are subject to the same internal grading system, where applicable.

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.

Loans and advances to customers less than 90 days as at 31 December past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows

	2014	2013
Up to 30 days	1,440,755	3,072,893
31 to 60 days	252,722	293,145
Above 60 days	374,043	207,712
Gross	**2,067,520**	3,573,750

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality (continued)

Rescheduled loans and advances to customers

Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non impaired. The carrying value of renegotiated loans and advances as at 31 December 2014 was QAR 5,835 million (2013: QAR 4,394 million).

(vi) Collateral

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

The Group has collateral in the form of blocked deposits, pledge of shares or legal mortgage against the past dues loans and advances to customers.

The aggregate collateral is QAR 3,741 million (2013: QAR 1,282 million) for past due loans and advances to customers up to 30 days, QAR 537 million (2013: QAR 47 million) for past due from 31 to 60 days and QAR 365 million (2013: QAR 80 million) for past due above 60 days.

(vii) Repossessed collateral

During the year, the Group acquired ownership of land and building by taking possession of collateral held as security for an amount of QAR nil million (2013: QAR nil million).

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified in the consolidated statement of financial position within other assets.

(viii) Write-off policy

The Group writes off a loan or an investment in debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible. QCB approval is required for such write off when the amount to be written off exceeds Qatar Riyal hundred thousand.

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 174 million (2013: QAR 210 million).

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of e.g. customer deposits being withdrawn, cash requirements from contractual commitments, or other cash outflows, such as debt maturities or margin calls for 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 fulfill 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

The management of liquidity risk is governed by the Group's liquidity policy. The primary objective of liquidity risk management; over which ALCO has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behaviour or abnormal market conditions. ALCO emphasises the maximisation and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Group's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by the Bank's credit ratings, which are as follows:

Moody's: Long Term A1, Short Term P-1 and financial strength C-, outlook stable.

Fitch: Long Term A, Short Term F1 and Financial strength bbb, outlook stable.

Standard & Poor's: Long Term A-, Short Term A-2, outlook negative.

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB under the heading 'Liquidity adequacy ratio' (LAR). The minimum ratio limit set by QCB is 100%.

Following table sets out the LAR position of the Group during the year as follows:

	2014	2013
At 31 December	**106.89**	113.17
Average for the year	**107.02**	103.70
Maximum for the year	**110.91**	113.17
Minimum for the year	**103.32**	101.01

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
31 December 2014								
Cash and balances with central banks	6,940,968	3,853,433	-	-	3,853,433	-	-	3,087,535
Due from banks	15,493,763	7,926,758	3,055,598	4,043,350	15,025,706	468,057	-	-
Loans and advances to customers	72,541,236	5,530,518	2,553,930	8,423,931	16,508,379	18,745,346	37,178,624	108,887
Investment securities	11,621,238	1,941,760	4,633	689,777	2,636,170	4,899,743	3,264,608	820,717
Investment in associates	4,446,826	-	-	-	-	-	-	4,446,826
Others assets	4,608,317	569,564	138,942	117,195	825,701	951,920	456,346	2,374,350
Total	**115,652,348**	**19,822,033**	**5,753,103**	**13,274,253**	**38,849,389**	**25,065,066**	**40,899,578**	**10,838,315**
Due to banks	14,124,506	12,880,923	629,951	-	13,510,874	613,632	-	-
Customer deposits	61,561,219	37,955,256	18,683,600	4,105,797	60,744,653	816,566	-	-
Debt securities	9,544,796	64,561	224,889	1,158,978	1,448,428	5,419,093	2,677,275	-
Other borrowings	9,339,678	156,511	4,077,880	3,314,574	7,548,965	1,790,713	-	-
Other liabilities	3,386,036	1,111,675	464,644	130,430	1,706,749	909,925	-	769,362
Total	**97,956,235**	**52,168,926**	**24,080,964**	**8,709,779**	**84,959,669**	**9,549,929**	**2,677,275**	**769,362**
Difference	**17,696,113**	**(32,346,893)**	**(18,327,861)**	**4,564,474**	**(46,110,280)**	**15,515,137**	**38,222,303**	**10,068,953**

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

	Carrying amount	Demand / within 1 month	1-3 months	3 months –1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
31 December 2013								
Cash and balances with central bank	6,902,547	3,796,820	-	-	3,796,820	-	-	3,105,727
Due from banks	15,177,969	10,623,627	1,663,991	2,749,894	15,037,512	140,457	-	-
Loans and advances to customers	66,862,544	3,980,414	3,930,060	8,888,432	16,798,906	13,860,282	36,169,767	33,589
Investment securities	14,706,294	2,259,239	619,985	2,087,274	4,966,498	4,194,515	4,643,717	901,564
Investment in associates	4,198,469	-	-	-	-	-	-	4,198,469
Others assets	5,264,042	659,469	170,284	131,761	961,514	847,903	544,585	2,910,040
Total	113,111,865	21,319,569	6,384,320	13,857,361	41,561,250	19,043,157	41,358,069	11,149,389
Due to banks	12,599,210	10,985,322	954,955	45,500	11,985,777	613,433	-	-
Customer deposits	63,419,931	39,742,634	15,164,816	4,871,115	59,778,565	3,641,366	-	-
Debt securities	9,759,667	-	331,397	3,718,021	4,049,418	3,014,806	2,695,443	-
Other borrowings	7,345,717	172,743	2,541,924	3,490,211	6,204,878	1,135,373	5,466	-
Other liabilities	3,432,245	1,101,998	199,649	139,617	1,441,264	695,317	-	1,295,664
Total	96,556,070	52,002,697	19,192,741	12,264,464	83,459,902	9,100,295	2,700,909	1,295,664
Difference	16,555,095	(30,683,128)	(12,808,421)	1,592,897	(41,898,652)	9,942,862	38,657,160	9,853,725

(c) Liquidity risk

(iv) Maturity analysis (financial liabilities and derivatives)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

31 December 2014	**Carrying amount**	**Gross undiscounted cash flows**	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Due to banks	14,124,506	14,154,580	12,633,025	483,752	422,841	614,962	-
Customer deposits	61,561,219	62,112,012	38,397,666	18,740,832	4,123,962	849,552	-
Debt securities	9,544,796	11,014,434	-	-	1,639,780	5,352,807	4,021,847
Other borrowings	9,339,678	9,491,307	68,323	3,938,306	3,628,229	1,856,449	-
Other liabilities	3,176,736	3,176,736	1,069,484	330,417	130,430	909,925	736,480
Total liabilities	**97,746,935**	**99,949,069**	**52,168,498**	**23,493,307**	**9,945,242**	**9,583,695**	**4,758,327**

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives)

Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

Derivatives Held for Trading:	Total	Up to 1 Year	1 - 5 years	More than 5 years
Forward foreign exchange contracts				
Outflow	(5,735,349)	(4,996,998)	(738,351)	-
Inflow	5,845,692	5,052,778	792,914	-
Interest rate swaps:				
Outflow	(192,577)	(27,122)	(92,121)	(73,334)
Inflow	194,791	27,732	93,014	74,045
Derivatives Held as Fair Value Hedges:				
Interest rate swaps:				
Outflow	(50,665)	(26,199)	(24,467)	-
Inflow	57,598	29,003	28,595	-
Derivatives Held as Cash Value Hedges:				
Forward foreign exchange contracts:				
Outflow	(38,534)	(38,534)	-	-
Inflow	42,662	42,662	-	-
Interest rate swaps:				
Outflow	(171,993)	-	(171,993)	-
Inflow	171,993	-	171,993	-
Total Outflows	**(6,189,118)**	**(5,088,853)**	**(1,026,932)**	**(73,334)**
Total inflows	**6,312,736**	**5,152,175**	**1,086,516**	**74,045**

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives)

	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	12,599,210	12,671,134	10,844,594	1,163,962	45,752	616,826	-
Customer deposits	63,419,931	64,235,000	40,192,450	15,161,254	5,135,382	3,745,914	-
Debt securities	9,759,667	11,913,715	-	-	4,783,939	3,751,383	3,378,393
Other borrowings	7,345,717	7,721,823	324,656	1,764,068	2,562,660	3,070,439	-
Other liabilities	3,045,102	3,045,102	798,707	297,050	139,617	695,317	1,114,411
Total liabilities	96,169,627	99,586,774	52,160,407	18,386,334	12,667,350	11,879,879	4,492,804

Derivative financial instruments:

Generally, forward foreign exchange contracts are settled on a gross basis and interest rate swaps are settled on a net basis.

Derivatives Held for Trading:	Total	Up to 1 Year	1 - 5 years	More than 5 Years
Forward foreign exchange contracts				
Outflow	(15,224,903)	(15,224,903)	-	-
Inflow	14,487,906	14,487,906	-	-
Interest rate swaps				
Outflow	(221,749)	(28,521)	(98,973)	(94,256)
Inflow	224,226	29,142	99,930	95,153
Derivatives Held as Fair Value Hedges:				
Cross currency interest rate swaps				
Outflow	(50,665)	(26,199)	(24,467)	-
Inflow	63,994	32,223	31,770	-
Total Outflows	(15,497,317)	(15,279,623)	(123,440)	(94,256)
Total inflows	14,776,126	14,549,271	131,700	95,153

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(v) Off-balance sheet items

	Below 1 Year	Above 1 Year	Total
As at December 2014			
Loan commitments	1,001,721	5,154,648	6,156,369
Guarantees and other financial facilities	14,971,794	10,523,825	25,495,619
Capital commitments	10,400	389,457	399,857
Total	**15,983,915**	**16,067,930**	**32,051,845**

	Below 1 Year	Above 1 Year	Total
As at December 2013			
Loan commitments	2,115,458	5,864,916	7,980,374
Guarantees and other financial facilities	15,024,373	8,952,823	23,977,196
Capital commitments	27,090	461,414	488,504
Total	17,166,921	15,279,153	32,446,074

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

The Group takes exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in 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. The Group separates exposures to market risk into either trading or non-trading portfolios and by product type.

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

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

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's held-to-maturity and available-for-sale investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Group's proprietary investments are managed according to the Group's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the Qatar Central Bank guidelines. The Group's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Group employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits. The maximum limit of the Group's total proprietary investments (i.e. total of fair value through profit and loss, held to maturity and available for sale investment excluding Qatar Government issued or guaranteed investment or debt security portfolios) is restricted to 70% of the Group's capital and reserves (Tier 1 capital). However the individual limit for the held for trading investment portfolio is 10% of capital and reserves (Tier 1 capital) with a maximum permissible loss to carry for local securities at any given time. Investment policy is reviewed by the Board of Directors annually and day to day limits are independently monitored by the Market Risk Management department.

Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under ALCO oversight and approved by the Board.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolio

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 Treasury in its day-to-day monitoring activities.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The Asset and Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Group's non-trading financial instruments.

The Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Group typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non–discretionary and discretionary. The non-discretionary portfolio consists of the Group's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Group's non-discretionary portfolio, the Group uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements, and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Group largely manages the interest rate sensitivity in the non-discretionary portfolio.

The following table summarises the interest sensitivity position at year end, by reference to the re-pricing period or maturity of the Group's assets and liabilities.

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

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

		Repricing in:					
	Carrying amount	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Non-interest sensitive**	**Effective interest rate %**
31 December 2014							
Cash and balances with central banks	6,940,968	3,700,433	-	-	-	3,240,535	
Due from banks	15,493,763	10,979,226	4,043,350	468,057	-	3,130	1.11
Loans and advances to customers	72,541,236	40,866,002	26,919,817	3,568,821	694,632	491,964	5.71
Investment securities	11,621,238	2,563,932	892,737	4,685,470	2,658,385	820,714	4.74
Investment in associates	4,446,826	-	-	-	-	4,446,826	
Property and equipment and all other assets	4,608,317	13,876	30,765	171,993	-	4,391,683	
	115,652,348	**58,123,469**	**31,886,669**	**8,894,341**	**3,353,017**	**13,394,852**	
Due to banks	(14,124,506)	(14,124,506)	-	-	-	-	2.56
Customer deposits	(61,561,219)	(46,749,637)	(3,849,687)	(795,934)	-	(10,165,961)	2.16
Debt securities	(9,544,796)	(289,449)	(1,158,979)	(5,419,093)	(2,677,275)	-	4.78
Other borrowings	(9,339,678)	(6,143,782)	(2,662,777)	(533,119)	-	-	1.56
Other liabilities	(3,386,036)	(170,240)	(30,765)	(171,993)	-	(3,013,038)	
Equity	(17,696,113)	-	-	-	(2,000,000)	(15,696,113)	
	(115,652,348)	**(67,477,614)**	**(7,702,208)**	**(6,920,139)**	**(4,677,275)**	**(28,875,112)**	
Interest rate sensitivity gap	-	**(9,354,145)**	**24,184,461**	**1,974,202**	**(1,324,258)**	**(15,480,260)**	
Cumulative Interest rate sensitivity gap		**(9,354,145)**	**14,830,316**	**16,804,518**	**15,480,260**	**-**	

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Market risks (continued)
(ii) Exposure to interest rate risk – non-trading portfolios (continued)

		Repricing in:					
	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate %
31 December 2013							
Cash and balances with central bank	6,902,547	1,656,103	-	-	-	5,246,444	
Due from banks	15,177,969	12,287,618	2,749,894	140,457	-	-	1.03
Loans and advances to customers	66,862,544	38,923,595	24,279,460	2,731,886	530,542	397,061	4.95
Investment securities	14,706,294	4,598,236	3,043,663	4,535,689	1,627,141	901,565	5.09
Investment in associates	4,198,469	-	-	-	-	4,198,469	-
Property and equipment and other assets	5,264,042	-	-	-	-	5,264,042	-
	113,111,865	57,465,552	30,073,017	7,408,032	2,157,683	16,007,581	
Due to Bank	(12,599,210)	(12,553,710)	(45,500)	-	-	-	1.21
Customer deposits	(63,419,931)	(50,755,234)	(3,745,316)	(433,193)	-	(8,486,188)	1.60
Debt securities	(9,759,667)	(331,397)	(3,718,021)	(3,014,806)	(2,695,443)	-	5.23
Other borrowings	(7,345,717)	(4,814,441)	(2,274,166)	(251,643)	(5,467)	-	2.11
Other liabilities	(3,432,245)	(253,561)	(300,982)	-	-	(2,877,702)	-
Equity	(16,555,095)	-	-	-	(2,000,000)	(14,555,095)	-
	(113,111,865)	(68,708,343)	(10,083,985)	(3,699,642)	(4,700,910)	(25,918,985)	
Off Balance sheet items	-	-	-	-	-	-	
Interest rate sensitivity gap	-	(11,242,791)	19,989,032	3,708,390	(2,543,227)	(9,911,404)	
Cumulative Interest rate sensitivity gap		(11,242,791)	8,746,241	12,454,631	9,911,404	-	

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Sensitivity analysis

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

	50 bp parallel increase	50 bp parallel decrease
Sensitivity of net interest income		
2014		
At 31 December	**(130,883)**	130,883
Average for the year	**(139,666)**	139,666
2013		
At 31 December	(151,041)	151,041
Average for the year	(123,806)	123,806

	50 bp parallel increase	50 bp parallel decrease
Sensitivity to reported Fair value reserve in equity of interest rate movements		
2014		
At 31 December	**6,195**	(6,195)
Average for the year	**7,197**	(7,197)
2013		
At 31 December	8,194	(8,194)
Average for the year	8,346	(8,346)

Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments are reported directly in other comprehensive income.

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Foreign currency transactions

The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities. The table shows the net foreign currency exposure by major currencies at the end of the reporting period along with the sensitivities if there were to be a change in the currency exchange rate.

	2014	2013
Net foreign currency exposure:		
Pounds Sterling	**12,951**	59,882
Euro	**(1,219,142)**	217,349
USD	**(1,891,798)**	540,072
Other currencies	**3,286,147**	3,330,035

	Increase / (decrease) in profit or loss		**Increase / (decrease) in fair value reserve**	
5% increase / (decrease) in currency exchange rate	**2014**	2013	**2014**	2013
Pound Sterling	**648**	2,994	**43**	52
Euro	**(60,957)**	10,867	**37**	264
Other currencies	**164,307**	166,502	**7,130**	11,507

Open exchange position in other currencies represents Group's investment in associates denominated in RO and AED. As these currencies and Qatar Riyal are pegged to the USD, there is no impact to income statement and impact to equity is insignificant.

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks (continued)

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

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as held for trading and available for sale. A 10 per cent increase in the Qatar Exchange and Bombay Stock Exchange and a 15 per cent increase in the Abu Dhabi Securities Exchange market index at 31 December 2014 would have increased equity by QAR 24 million (2013: QAR 23 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

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

	2014	2013
Increase / (decrease) in other comprehensive income:		
Qatar Exchange	**15,330**	2,282
Bombay Stock Exchange	**6,609**	20,276
Abu Dhabi Securities Exchange	**2,467**	682

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

(e) Operational risks

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

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

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

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

As at and for the year ended 31 December 2014 QAR '000s

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Capital management

Regulatory capital

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. The Captial Adquacy Ratio (CAR) of the group is calculated in accordance with the Basel Committee guidelines as adopted by Qatar Central Bank (QCB). From 1st January 2014 QCB adopted Basel III guidelines for CAR calculation.

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

	Basel III	Basel II
	2014	2013
Common Equity Tier 1 (CET 1) Capital	10,930,246	-
Additional Tier 1 Capital	2,000,000	-
Tier 1 Capital	12,930,246	11,947,947
Tier 2 Capital	2,141,821	1,430,355
Total Eligible Capital	**15,072,067**	13,378,302
Risk Weighted Assets for Credit Risk	91,441,410	-
Risk Weighted Assets for Market Risk	1,475,991	-
Risk Weighted Assets for Operational Risk	6,102,566	-
Total Risk Weighted Assets	**99,019,967**	95,135,120
CET 1 Ratio	11.04%	-
Tier 1 Capital Ratio	13.06%	-
Total Capital Ratio	15.22%	14.1%

The minimum requirement for Capital Adequacy Ratio under Basel III as per QCB regulations are as follows:

	Without Capital Conservation Buffer	Including Capital Conservation Buffer
Minimum limit for CET 1 ratio	6%	8.5%
Minimum limit for Tier 1 capital ratio	8%	10.5%
Minimum limit for Total capital ratio	10%	12.5%

5. USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on the basis as described in the accounting policy.

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

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

The Bank reviews its loan portfolio to assess impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Determining fair values

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

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Goodwill impairment

Goodwill is tested annually for impairment; assets are grouped together into smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to the CGU which is expected to benefit from the synergies of the combination.

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

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

As at and for the year ended 31 December 2014 QAR '000s

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: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level1 that are observable either directly (i.e.as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist.

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:

			31 December 14
	Level 1	**Level 2**	**Carrying amount**
Derivative assets	-	223,757	223,757
Investment securities	1,746,411	9,628,708	11,621,238
	1,746,411	**9,852,465**	**11,844,995**
Derivative liabilities	-	209,300	209,300
	-	**209,300**	**209,300**

			31 December 13
	Level 1	Level 2	Carrying amount
Derivative assets	-	580,176	580,176
Investment securities	3,465,706	10,896,990	14,706,294
	3,465,706	11,477,166	15,286,470
Derivative liabilities	-	387,143	387,143
	-	387,143	387,143

All unquoted available for sale equities and investment funds are recorded at fair value except for investments with a carrying value of QAR 246 million (2013: QAR 344 million), which are recorded at cost since their fair value cannot be reliably estimated. There have been no transfers between levels 1, 2 and 3 during the years 2014 and 2013.

Fair value of financial assets and liabilities not measured at fair value is approximately equal to the carrying value.

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 the 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 the 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 the 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.

(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.

(vi) Useful life of intangible assets

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

6. OPERATING SEGMENTS

For management purposes, the Group is divided into four operating segments, which are based on business lines, together with its associated companies, as follows:

Commercial Bank:

1. **Wholesale Banking** provides an extensive range of conventional funded and non-funded credit facilities, demand and time deposit services, currency exchange facilities, interest rate swaps and other derivative trading services, loan syndication and structured financing services to corporate, commercial and multinational customers. Money market funds and proprietary investment portfolio are also managed by this operating segment.

2. **Retail Banking** provides personal current, savings, time and investment account services, credit card and debit card services, consumer and vehicle loans, residential mortgage services and custodial services to retail and individual customers.

Subsidiaires:

3. **Alternatifbank A.S. ("ABank"):** A subsidiary that provides banking services through its branch network in Turkey. Abank also has its subsidiaries. The Group reported Abank group result under this operating segment.

4. **Other Subsidiaries:**
   a) Orient 1 and Global Card Services L.L.C. provide credit card services in the Sultanate of Oman.
   b) Commercialbank Investment Services (S.P.C.) provides brokerage services in the State of Qatar.
   c) CBQ Finance Limited, a SPV used for debt issuance for the bank,

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations. (For example, Group head quarters, staff apartments, common property & equipment, cash functions and development projects and related payables, net of intra-group transactions).

Associated Companies – includes the Group's strategic investments in the National Bank of Oman in the Sultanate of Oman, and United Arab Bank in United Arab Emirates, Asteco Qatar L.L.C. and Massoun Insurance Services L.L.C. which operate in the State of Qatar. All Associated Companies are accounted for under the equity method.

Management monitors the results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis.

As at and for the year ended 31 December 2014 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

(a) By operating segment

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

31 December 2014	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	ABank	Others	Unallocated	Total
Net interest income	1,222,839	744,139	1,966,968	638,364	3,226	(27,892)	**2,580,666**
Net other operating income	692,494	339,727	1,032,221	210,846	29,029	49,707	**1,321,803**
Segmental revenue	1,915,323	1,083,866	2,999,189	849,210	32,255	21,815	**3,902,469**
Impairment loss on investment securities	(49,811)	-	(49,811)	-	-	-	**(49,811)**
Net impairment loss on loans and advances to customers	(451,498)	(64,485)	(515,983)	(105,047)	(1,788)	-	**(622,818)**
Segmental profit			**1,404,435**	**231,411**	**19,597**	**(96,396)**	**1,559,047**
Share of results of associates							**381,166**
Net profit for the year							**1,940,213**
Other information							
Assets	70,954,750	18,607,437	89,562,187	17,567,453	311,855	3,764,027	**111,205,522**
Investments in associates	-	-	-	-	-	-	**4,446,826**
Liabilities	66,994,281	14,043,574	81,037,855	16,055,454	105,635	757,291	**97,956,235**
Contingent items	26,777,603	29,451	26,807,054	4,844,934	-	-	**31,651,988**

Intra-group transactions are eliminated from this segmental information (Assets: QAR 1,659 million and Liabilities: QAR 410 million)

As at and for the year ended 31 December 2014 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

(a) By operating segment (continued)

31 December 2013	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	ABank	Others	Unallocated	Total
Net interest income	1,242,706	635,684	1,878,390	311,893	2,663	(4,587)	2,188,359
Net other operating income	777,778	278,854	1,056,632	133,481	9,800	45,624	1,245,537
Segmental revenue	2,020,484	914,538	2,935,022	445,374	12,463	41,037	3,433,896
Impairment loss on investment securities	(109,937)	-	(109,937)	-	-	-	(109,937)
Net impairment loss on loans and advances to customers	(426,023)	(34,406)	(460,429)	(140,047)	(3,491)	-	(603,967)
Segmental profit			1,311,638	8,840	1,314	(41,347)	1,280,445
Share of results of associates							324,933
Net profit for the year							1,605,378
Other information							
Assets	74,102,962	14,301,868	88,404,830	18,778,386	431,509	1,298,671	108,913,396
Investments in associates	-	-	-	-	-	-	4,198,469
Liabilities	64,212,156	13,816,385	78,028,541	17,790,787	244,885	492,557	96,556,770
Contingent items	25,825,587	941,447	26,767,034	5,190,536	-	-	31,957,570

Intra-group transactions are eliminated from this segmental information (Assets: QAR 1,548 million and Liabilities: QAR 660 million)

As at and for the year ended 31 December 2014 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
As at 31 December 2014							
Cash and balances with central banks	4,817,430	9	2,123,529	-	-	-	6,940,968
Due from banks	3,082,761	4,476,771	2,175,651	1,318,994	869,953	3,569,633	15,493,763
Loans and advances to customers	54,055,199	3,201,501	14,764,923	87,688	16	431,909	72,541,236
Investment securities	7,947,761	885,566	2,278,684	145,454	158,553	205,220	11,621,238
Investment in associates	8,274	4,438,552	-	-	-	-	4,446,826
Property and equipment and all other assets	2,832,028	64,302	1,575,973	127,118	2,501	6,395	4,608,317
Total assets	**72,743,453**	**13,066,701**	**22,918,760**	**1,679,254**	**1,031,023**	**4,213,157**	**115,652,348**
Due to banks	5,670,227	5,249,778	1,836,223	1,100,059	37,133	231,086	14,124,506
Customer deposits	47,345,107	4,142,708	8,545,445	932,747	32,261	562,951	61,561,219
Debt securities	-	-	1,335,649	8,027,233	181,914	-	9,544,796
Other borrowings	674,624	3,977,480	593,049	2,428,461	752,138	913,926	9,339,678
Other liabilities	2,260,662	68,051	904,059	150,424	814	2,026	3,386,036
Equity	17,696,113	-	-	-	-	-	17,696,113
Total liabilities and equity	**73,646,733**	**13,438,017**	**13,214,425**	**12,638,924**	**1,004,260**	**1,709,989**	**115,652,348**

As at and for the year ended 31 December 2014 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography (continued)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2014							
Net interest income	1,838,244	74,564	699,789	(104,703)	19,898	52,874	2,580,666
Net Fee, commission and other income	1,026,275	41,279	219,304	(935)	3,444	32,436	1,321,803
Net operating income	2,864,519	115,843	919,093	(105,638)	23,342	85,310	3,902,469
Staff cost	(554,393)	-	(276,084)	-	-	(1,990)	(832,467)
Depreciation	(128,062)	-	(14,667)	-	-	(532)	(143,261)
Amortization of intangible assets	(47,339)	-	(5,318)	-	-	-	(52,657)
Impairment loss on investment securities	(1,820)	(6,728)	-	(1,531)	(19,269)	(20,463)	(49,811)
Net impairment loss on loans and advances to customers	(515,983)	(1,788)	(105,047)	-	-	-	(622,818)
Other expenses	(421,863)	-	(166,237)	-	-	(3,862)	(591,962)
Profit before share of results of associates	1,195,059	107,327	351,740	(107,169)	4,073	58,463	1,609,493
Share of results of associates	3,446	377,720	-	-	-	-	381,166
Profit for the year before tax	**1,198,505**	**485,047**	**351,740**	**(107,169)**	**4,073**	**58,463**	**1,990,659**
Income tax expenses	-	-	(50,446)	-	-	-	(50,446)
Net profit for the year	**1,198,505**	**485,047**	**301,294**	**(107,169)**	**4,073**	**58,463**	**1,940,213**

As at and for the year ended 31 December 2014 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography (continued)

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
As at 31 December 2013							
Cash and balances with central bank	4,761,821	-	2,140,726	-	-	-	6,902,547
Due from banks	3,209,250	3,050,475	1,805,185	3,416,802	1,410,294	2,285,963	15,177,969
Loans and advances o customers	49,775,938	2,960,095	12,702,739	274,710	3,218	1,145,844	66,862,544
Investments securities	9,363,464	882,445	3,250,659	449,546	208,267	551,913	14,706,294
Investment in associates	14,032	4,184,437	-	-	-	-	4,198,469
Property and equipment and other assets	2,678,086	123,171	2,231,160	224,970	1,042	5,613	5,264,042
Total assets	69,802,591	11,200,623	22,130,469	4,366,028	1,622,821	3,989,333	113,111,865
Due to banks	1,983,962	4,970,882	4,436,444	1,060,633	72,801	74,488	12,599,210
Customer deposits	44,789,632	7,315,099	8,323,107	2,308,323	450	683,320	63,419,931
Debt securities	-	-	1,024,738	8,734,929	-	-	9,759,667
Other borrowings	-	1,655,904	4,233,813	910,000	-	546,000	7,345,717
Other liabilities	1,983,888	120,709	1,198,815	123,517	217	5,099	3,432,245
Equity	16,555,095	-	-	-	-	-	16,555,095
Total liabilities and equity	65,312,577	14,062,594	19,216,917	13,137,402	73,468	1,308,907	113,111,865

As at and for the year ended 31 December 2014 QAR '000s

6. OPERATING SEGMENTS (CONTINUED)

(b) By geography (continued)

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2013							
Net interest income	1,881,484	56,042	344,837	(94,257)	7,576	(7,323)	2,188,359
Net Fee, commission and other income	1,051,296	40,519	136,674	1,477	1,963	13,608	1,245,537
Net operating income	2,932,780	96,561	481,511	(92,780)	9,539	6,285	3,433,896
Staff cost	(534,807)	-	(143,343)	-	-	(6,550)	(684,700)
Depreciation	(132,558)	-	(7,347)	-	-	(568)	(140,473)
Amortization of intangible assets	-	-	(3,252)	-	-	-	(3,252)
Impairment loss on investment securities	(2,304)	(339)	-	(3,500)	(11,967)	(91,827)	(109,937)
Net impairment loss on loans and advances to customers	(460,430)	(3,491)	(140,046)	-	-	-	(603,967)
Other expenses	(466,147)	-	(139,508)	-	-	(3,087)	(608,742)
Profit before share of results of associates	1,336,534	92,731	48,015	(96,280)	(2,428)	(95,747)	1,282,825
Share of results of associates	3,146	321,787	-	-	-	-	324,933
Profit for the year before tax	1,339,680	414,518	48,015	(96,280)	(2,428)	(95,747)	1,607,758
Income tax expenses	-	-	(2,380)	-	-	-	(2,380)
Net profit for the year	1,339,680	414,518	45,635	(96,280)	(2,428)	(95,747)	1,605,378

As at and for the year ended 31 December 2014 QAR '000s

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:

	Fair value through income statement	Held-to-maturity	Loans and receivables (at amortised cost)	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2014							
Cash and balances with central banks	-	-	6,940,968	-	-	6,940,968	6,940,968
Due from banks	-	-	15,493,763	-	-	15,493,763	15,493,763
Derivative assets	223,757	-	-	-	-	223,757	223,757
Loans and advances to customers	-	-	72,541,236	-	-	72,541,236	72,541,236
Investment securities:	-	-	-	-	-	-	-
Measured at fair value	118,021	-	-	11,503,217	-	11,621,238	11,621,238
	341,778	**-**	**94,975,967**	**11,503,217**	**-**	**106,820,962**	**106,820,962**
Derivative liabilities	209,300	-	-	-	-	209,300	209,300
Due to banks	-	-	-	-	14,124,506	14,124,506	14,124,506
Customer deposits	-	-	-	-	61,561,219	61,561,219	61,561,219
Debt securities	-	-	-	-	9,544,796	9,544,796	10,129,981
Other borrowings	-	-	-	-	9,339,678	9,339,678	9,339,678
	209,300	**-**	**-**	**-**	**94,570,199**	**94,779,499**	**95,364,684**

The fair value of loans and receivables has been arrived at using a level 2 valuation method, except for the impaired loans and receivables net of provisions amounting to QAR 727 million for which a level 3 valuation method has been used.

The fair value of liabilities measured at amortized cost has been arrived at using a level 2 valuation method, except for debt securities which are quoted and valued using a level 1 method.

As at and for the year ended 31 December 2014 QAR '000s

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:

	Fair value through income statement	Held-to-maturity	Loans and receivables (at amortised cost)	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2013							
Cash and balances with central bank	-	-	6,902,547	-	-	6,902,547	6,902,547
Due from banks	-	-	15,177,969	-	-	15,177,969	15,177,969
Derivative assets	580,176	-	-	-	-	580,176	580,176
Loans and advances to customers	-	-	66,862,544	-	-	66,862,544	66,862,544
Investment securities:							
Measured at fair value	188,093	-	-	14,518,201	-	14,706,294	14,706,294
	768,269	-	88,943,060	14,518,201	-	104,229,530	104,229,530
Derivative liabilities	387,143	-	-	-	-	387,143	387,143
Due to banks	-	-	-	-	12,599,210	12,599,210	12,599,210
Customer deposits	-	-	-	-	63,419,931	63,419,931	63,419,931
Debt securities	-	-	-	-	9,759,667	9,759,667	10,380,131
Other borrowings	-	-	-	-	7,345,717	7,345,717	7,345,717
	387,143	-	-	-	93,124,525	93,511,668	94,132,132

As at and for the year ended 31 December 2014 QAR '000s

8. CASH AND BALANCES WITH CENTRAL BANKS

	2014	2013
Cash	682,654	620,705
Cash reserve with central banks *	4,137,873	3,927,777
Other balances with central banks	2,120,441	2,354,065
	6,940,968	6,902,547

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

9. DUE FROM BANKS

	2014	2013
Current accounts	937,737	1,096,426
Placements	11,015,113	12,144,894
Loans to banks	3,540,913	1,936,649
	15,493,763	15,177,969

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

	2014	2013
Loans	69,343,221	65,531,930
Overdrafts	4,597,622	2,288,460
Bills discounted	360,315	302,626
Bankers acceptances	383,079	397,061
	74,684,237	68,520,077
Deferred profit	(43,228)	(85,652)
Specific impairment of loans and advances to customers	(1,512,945)	(1,072,298)
Collective impairment allowance	(586,828)	(499,583)
Net loans and advances to customers*	**72,541,236**	66,862,544

*The aggregate amount of non-performing loans and advances to customers amounted QAR 2,827 million which represents 3.79 % of total loans and advances to customers (2013: QAR 2,496 million, 3.65% of total loans and advances to customers).

Specific impairment of loans and advances to customers includes QAR 117.3 million of interest in suspense (2013: QAR 173 million).

By internal business segment	2014	2013
Government and related agencies	8,103,980	7,314,779
Wholesale	37,927,779	45,437,856
Retail	26,509,477	14,109,909
Net loans and advances to customers	**72,541,236**	66,862,544

As at and for the year ended 31 December 2014 QAR '000s

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

b) By sector

At 31 December 2014:

	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	5,883,558	2,220,423	-	-	8,103,981
Non-banking financial institutions	2,309,240	10,812	-	-	2,320,052
Industry	5,562,595	153,311	2,925	4,404	5,723,235
Commercial	9,727,787	220,445	145,610	252,733	10,346,575
Services	10,098,864	221,062	79,801	32,425	10,432,152
Contracting	6,416,271	300,011	46,097	93,517	6,855,896
Real estate	18,902,833	178,005	1,983	-	19,082,821
Personal	7,155,672	1,293,425	83,899	-	8,532,996
Others	3,286,401	128	-	-	3,286,529
	69,343,221	**4,597,622**	**360,315**	**383,079**	**74,684,237**

Less: Deferred Profit	(43,228)
Specific impairment of loans and advances to customers	(1,512,945)
Collective impairment allowance	(586,828)
	(2,143,001)
Net loans and advances to customers	**72,541,236**

At 31 December 2013:

	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	7,216,922	97,857	-	-	7,314,779
Non-banking financial institutions	1,910,378	9,573	-	-	1,919,951
Industry	5,504,741	153,647	2,987	43,093	5,704,468
Commercial	8,295,955	142,718	64,507	239,000	8,742,180
Services	8,252,282	251,867	38,089	29,856	8,572,094
Contracting	4,890,826	353,577	80,466	85,112	5,409,981
Real Estate	21,510,413	231,851	115,625	-	21,857,889
Personal	4,816,970	1,047,370	952	-	5,865,292
Others	3,133,443	-	-	-	3,133,443
	65,531,930	2,288,460	302,626	397,061	68,520,077

Less: Deferred Profit	(85,652)
Specific impairment of loans and advances to customers	(1,072,298)
Collective impairment allowance	(499,583)
	(1,657,533)
Net loans and advances to customers	66,862,544

As at and for the year ended 31 December 2014 QAR '000s

10. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

c) Movement in impairment loss on loans and advances to customers

	2014	2013
Balance at 1 January	1,571,881	626,812
Acquistion of subsidiary	-	457,325
Allowance made during the year	1,068,662	736,081
Recoveries during the year	(328,526)	(53,328)
Net allowance for impairment during the year *	740,136	682,753
Written off during the year	(156,639)	(137,202)
Exchange differences	(55,605)	(57,807)
Balance at 31 December	**2,099,773**	1,571,881

*This includes net interest suspended during the year QAR 117.3 million (2013: QAR 78.8 million). The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations.

Further analysis is as follows:

	Commercial Bank	**Abank**	**Other subsidiaries**	**Total**
Balance at 1 January 2014	1,022,562	539,566	9,753	1,571,881
Acquistion of subsidiary	-	-	-	-
Allowance made during the year	712,522	353,733	2,407	1,068,662
Recoveries during the year	(79,220)	(248,687)	(619)	(328,526)
Written off during the year	(156,631)	-	(8)	(156,639)
Exchange differences	-	(55,605)	-	(55,605)
Balance at 31 December 2014	**1,499,233**	**589,007**	**11,533**	**2,099,773**

	Commercial Bank	Abank	Other subsidiaries	Total
Balance at 1 January 2013	620,385	-	6,427	626,812
Acquistion of subsidiary	-	457,325	-	457,325
Allowance made during the year	565,744	166,435	3,902	736,081
Recoveries during the year	(26,530)	(26,387)	(411)	(53,328)
Written off during the year	(137,037)	-	(165)	(137,202)
Exchange differences	-	(57,807)	-	(57,807)
Balance at 31 December 2013	1,022,562	539,566	9,753	1,571,881

As at and for the year ended 31 December 2014 QAR '000s

11. INVESTMENT SECURITIES

Investment securities as at 31 December 2014 totaled QAR 11,621 million (2013: QAR 14,706 million). The analysis of investment securities is detailed below:

	2014	2013
Available-for-sale	11,503,217	14,518,201
Investment securities designated at fair value through income statement	118,021	188,093
Total	**11,621,238**	14,706,294

The carrying value of investment securities pledged under Repurchase agreements (REPO) is QAR 1,439 million (2013:QAR 4,842 million)

a) Available-for-sale

	2014		2013	
	Quoted	**Unquoted**	Quoted	Unquoted
Equities	282,702	219,750	276,697	273,797
State of Qatar debt securities	3,272,138	4,349,843	1,831,201	6,989,720
Debt and other securities*	2,889,582	170,940	4,556,323	239,391
Investment funds	57,144	261,118	81,111	269,961
Total	**6,501,566**	**5,001,651**	6,745,332	7,772,869

***** Fixed rate securities and floating rate securities amounted to QAR 1,939 million and QAR 1,121 million respectively (2013: QAR 3,213 million and QAR 1,582 million respectively).

b) Investment securities designated at fair value through income statement

	2014	2013
Debt securities	118,021	188,093
Total	**118,021**	**188,093**

c) Movement in impairment loss on investment Available for sale - debt securities

	2014	2013
Balance at 1 January	125,421	202,126
Allowance for impairment during the year	3,887	4,458
Recoveries during the year	(7,607)	(8,524)
Realized during the year	(17,175)	(72,639)
Total	**104,526**	125,421

The Group has also recognised impairment loss for investments in equities and funds during the year amounting to QAR 45.9 million (2013: QAR 105.5 million).

As at and for the year ended 31 December 2014 QAR '000s

12. INVESTMENTS IN ASSOCIATES

	2014	2013
Balance at 1 January	4,198,469	4,054,157
Share of results -note 21(f)	381,166	324,933
Cash dividend - note 21(f)	(118,916)	(162,697)
Other movements	(13,893)	(17,924)
Balance at 31 December	**4,446,826**	4,198,469

	Amount				**Ownership %**	
Name of the Associate	**2014**	2013	**Country**	**Associate's activities**	**2014**	2013
National Bank of Oman SAOG ('NBO')	1,787,144	1,676,582	Oman	Banking	34.9%	34.9%
United Arab Bank PJSC ('UAB')	2,651,410	2,504,711	UAE	Banking	40%	40%
Asteco LLC	1,395	1,687	Qatar	Facilities management	30%	30%
Massoun Insurance Services LLC	6,877	15,489	Qatar	Insurance brokerage	50%	50%
	4,446,826	4,198,469				

During the period Massoun Insurance Services L.L.C redeemed 75% of its paid up capital.

The summarised financial position and results of associates as at the end of reporting period are as follows:

	2014	2013
Total assets	**53,626,549**	48,764,697
Total liabilities	**47,304,889**	43,160,137
Operating income	**2,450,806**	2,020,035
Net profit	**1,081,533**	944,542
Total comprehensive income	**1,058,892**	895,718
Share of results	**381,166**	324,933

Shares of National Bank of Oman SAOG are listed on the Muscat Securities Market, having a market value of QAR 1,269 million as at 31 December 2014 (2013: QAR 1,177 million).

Shares of United Arab Bank PJSC are listed on the Abu Dhabi Securities Market, having a market value of QAR 2,952 million as at 31 December 2014 (2013: QAR 2,547 million).

As at and for the year ended 31 December 2014 QAR '000s

13. PROPERTY AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost						
Balance at 1 January 2013	958,674	87,742	676,162	6,204	202,668	1,931,450
Acquisitions of subsidiary	-	68,398	104,886	184	-	173,468
Additions / transfers	65,686	11,205	113,968	350	(3,419)	187,790
Disposals	-	-	-	-	-	-
Exchange differences	-	(7,692)	(11,783)	(19)	-	(19,494)
Balance at 31 December 2013	1,024,360	159,653	883,233	6,719	199,249	2,273,214
Balance at 1 January 2014	1,024,360	159,653	883,233	6,719	199,249	2,273,214
Acquisitions of subsidiary	-	-	-	-	-	-
Additions / transfers	31,925	7,466	64,741	1,254	70,968	176,354
Disposals	(638)	(915)	(5,878)	(413)	-	(7,844)
Exchange differences	(256)	(6,225)	(9,315)	(4)	-	(15,800)
Balance at 31 December 2014	**1,055,391**	**159,979**	**932,781**	**7,556**	**270,217**	**2,425,924**
Accumulated depreciation						
Balance at 1 January 2013	193,038	65,200	471,169	4,974	-	734,381
Acquisitions of subsidiary	-	47,472	81,118	174	-	128,764
Depreciation for the year	33,892	13,457	92,743	381	-	140,473
Disposals	-	-	-	-	-	-
Exchange differences	-	(5,135)	(8,437)	(18)	-	(13,590)
Balance at 31 December 2013	226,930	120,994	636,593	5,511	-	990,028
Balance at 1 January 2014	226,930	120,994	636,593	5,511	-	990,028
Acquisitions of subsidiary	-	-	-	-	-	-
Depreciation for the year	34,893	16,220	91,740	408	-	143,261
Disposals	-	(851)	(5,819)	(403)	-	(7,073)
Exchange differences	(3)	(4,115)	(6,686)	(3)	-	(10,807)
Balance at 31 December 2014	**261,820**	**132,248**	**715,828**	**5,513**	**-**	**1,115,409**
Net carrying amounts						
Balance at 31 December 2013	797,430	38,659	246,640	1,208	199,249	1,283,186
Balance at 31 December 2014	**793,571**	**27,731**	**216,953**	**2,043**	**270,217**	**1,310,515**

As at and for the year ended 31 December 2014 QAR '000s

14. INTANGIBLE ASSETS

	Goodwill	Brand	Customer relationship	Core deposit	Internally developed software	Total
Cost						
Balance at 1 January 2013	-	-	-	-	-	-
Acquisitions of subsidiary	498,074	121,517	424,273	114,140	15,064	1,173,068
Disposals	-	-	-	-	-	-
Exchange differences	(48,609)	(5,058)	(42,752)	(11,501)	(1,095)	(109,015)
Balance at 31 December 2013	449,465	116,459	381,521	102,639	13,969	1,064,053
Balance at 1 January 2014	449,465	116,459	381,521	102,639	13,969	1,064,053
Acquisitions of subsidiary	-	-	-	-	-	-
Additions / transfers	525	4,253	-	-	2,253	7,031
Disposals	-	-	-	-	-	-
Exchange differences	(41,003)	(10,875)	(34,776)	(9,356)	(1,411)	(97,421)
Balance at 31 December 2014	**408,987**	**109,837**	**346,745**	**93,283**	**14,811**	**973,663**
Amortisation						
Balance at 1 January 2013	-	-	-	-	-	-
Acquisition of subsidiary	-	62,964	-	-	8,862	71,826
Amortisation during the year	-	3,111	-	-	141	3,252
Impaired during the year	-	-	-	-	-	-
Exchange differences	-	(6,606)	-	-	(905)	(7,511)
Balance at 31 December 2013	-	59,469	-	-	8,098	67,567
Balance at 1 January 2014	-	59,469	-	-	8,098	67,567
Acquisition of subsidiary	-	-	-	-	-	-
Amortisation during the year	-	4,743	36,894	8,323	2,697	52,657
Impaired during the year	-	-	-	-	-	-
Exchange differences	-	(5,646)	-	-	(838)	(6,484)
Balance at 31 December 2014	**-**	**58,566**	**36,894**	**8,323**	**9,957**	**113,740**
Net carrying amounts						
Balance at 31 December 2013	449,465	56,990	381,521	102,639	5,871	996,486
Balance at 31 December 2014	**408,987**	**51,271**	**309,851**	**84,960**	**4,854**	**859,923**

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU-ABank. A discount rate of 16.5% and a terminal growth rate of 2% were used to estimate the recoverable amount of ABank. No impairment losses on goodwill were recognised during 2014 (2013: nil).

The recoverable amount for the CGU has been calculated based on the 'Value In Use', determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. No impairment losses were recognised during 2014 (2013: nil) because the recoverable amounts of this CGU was determined to be higher than their carrying amount. The discount rate was a pre-tax measure based on the Government Bonds10 year yield USD, adjusted for an equity market risk premium, equity beta and inflation differential in Turkey and for USD.

Five years of cash flow are included in the discounted cash model. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which CGU operate and the long term compound annual profit before taxes, depreciation and amortization growth rate estimated by the management. The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of CGU to decline below the carrying amount.

As at and for the year ended 31 December 2014 QAR '000s

15. OTHER ASSETS

	2014	2013
Interest receivable and accrued income	573,440	719,639
Prepaid expenses	82,032	73,036
Accounts receivable	296,807	265,145
Repossessed collateral*	1,107,543	883,614
Positive fair value of derivatives (Note 36)	223,757	580,176
Clearing cheques	29,413	181,811
Others	124,887	280,949
	2,437,879	2,984,370

*This represents the value of the properties acquired in settlement of debts and subsequent additions, which have been stated at their carrying value net of any allowance for impairment. The estimated market values of these properties at the end of the reporting period are not materially different from the carrying values.

16. DUE TO BANKS

	2014	2013
Balances due to central banks	364,000	72,801
Current accounts	606,192	354,727
Placements with banks	11,912,257	7,762,710
Repurchase agreements with banks	1,242,057	4,408,972
	14,124,506	12,599,210

17. CUSTOMER DEPOSITS

	2014	2013
a) By type		
Current and call deposits	17,635,842	15,463,734
Saving deposits	5,343,913	3,754,381
Time deposits	38,581,464	44,201,816
	61,561,219	63,419,931
b) By sector		
Government	5,384,681	10,699,122
Government and semi government agencies	12,491,436	10,154,165
Individuals	18,643,744	18,152,246
Corporate	21,122,880	16,898,152
Non-banking financial institutions	3,918,478	7,516,246
	61,561,219	63,419,931

18. DEBT SECURITIES

EMTN unsecured Programme – Senior unsecured notes: On 11 April 2012 and on 24 June 2014, the Commercial Bank of Qatar, through CBQ Finance Limited, a wholly-owned subsidiary, completed an issuance of US$ 500 million and US$ 750 million (or QAR 1,820 million and QAR 2,730 million) respectively five year senior unsecured fixed rate notes under its US$ Five billion European Medium Term Note ("EMTN") Programme that it established in 2011. The notes carry a fixed coupon of 3.375% and 2.875% per annum respectively with interest payable semi-annually in arrears and are listed on the London Stock Exchange. The estimated fair value of the EMTN notes as at 31 December 2014 was QAR 4.65 billion (2013: QAR 1.88 billion).

Subordinated Notes: On 18 November 2009, the Commercial Bank of Qatar, through CBQ Finance Limited, a wholly-owned subsidiary, completed the issuance of US$ 600 million or QAR 2,184 million ten-year Subordinated Notes paying a fixed coupon of 7.50% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of ten years. The estimated fair value of the Subordinated Notes as at 31 December 2014 was QAR 2.61 billion (2013: QAR 2.57 billion).

These notes have been irrevocably guaranteed by the Commercial Bank of Qatar and are listed and traded on the London Stock Exchange.

CHF denominated Fixed Rate Bond: On 7 December 2010, the Commercial Bank of Qatar through CBQ Finance Limited, a wholly-owned subsidiary, completed the issuance of a CHF 275 million five year bond paying a fixed coupon of 3.0% per annum. Interest and 0.01% agency commission is payable annually in arrears and the principal is payable in full at maturity of five years. This bond has been irrevocably guaranteed by the Commercial Bank of Qatar and is listed and traded on the 'SIX' Swiss Exchange AG, Zurich.

The Group entered into cross currency interest rate swaps to convert its CHF 275 million borrowing into a USD denominated borrowing and pay a floating rate of USD 3 month LIBOR plus applicable margins on the USD notional amount and receive a coupon of 3% per annum on the CHF denominated notional amount.

As at and for the year ended 31 December 2014 QAR '000s

18. DEBT SECURITIES (CONTINUED)

	2014	2013
EMTN unsecured Programme – Senior unsecured notes	4,514,279	1,801,099
Senior Notes*	1,335,648	4,120,453
Subordinated Notes	2,677,276	2,695,444
CHF Fixed Rate Bond	1,017,593	1,142,671
Total**	**9,544,796**	9,759,667

* Senior notes with a value of US $1,000 million (or QAR 3,640 million) matured and was repaid on 18 November 2014.

**Debt Securities includes QAR 1,336 million (2013: QAR 488 million) of senior notes and QAR 515 million (2013: QAR 536 million) Subordinated notes of Abank. During the year Abank issued senior notes of US $250million (or QAR 910 million) for a period of 5 years at a fixed rate of 3.125 %, which is guaranteed by Commercial bank.

Movements in debt securities are analysed as follows:

	2014	2013
Balance at beginning of the year	9,759,667	8,705,816
Acquisiton of subsidiary	-	1,187,861
Additions	4,064,863	515,870
Repayments	(4,020,435)	(563,265)
Fair value adjustment	(125,404)	11,815
Amortisation of discount and transaction cost	19,363	17,298
Exchange difference	(153,258)	(115,728)
Balance at 31 December	**9,544,796**	9,759,667

The table below shows the maturity profile of debt securities:

	2014	2013
Up to 1 year	1,448,427	4,034,434
Between 1 and 3 years	1,806,462	1,228,691
Over 3 years	6,289,907	4,496,542
Balance at 31 December	**9,544,796**	9,759,667

As at and for the year ended 31 December 2014 QAR '000s

19. OTHER BORROWINGS

	2014	2013
Syndicated loans	3,629,880	-
Bilateral loans	2,002,069	1,455,945
Club loan	-	1,655,959
Others *	3,707,729	4,233,813
Total	**9,339,678**	7,345,717

*This represents the syndicated loan and other borrowings of Abank.

Movements in other borrowings are as follows:	**2014**	2013
Balance at beginning of the year	7,345,717	3,471,515
Acquistion of subsidiary	-	2,481,462
Additions	6,835,137	4,025,379
Repayments	(4,425,817)	(2,407,427)
Fair value adjustment on consolidation of ABank	(20,717)	186,294
Amortisation of discount and transaction cost	8,487	4,444
Exchange difference	(403,129)	(415,950)
Balance at 31 December	**9,339,678**	7,345,717

The table below shows the maturity profile of other borrowings:

	2014	2013
Up to 1 year	3,770,556	6,234,715
Between 1 and 3 years	5,068,645	516,162
Over 3 years	500,477	594,840
Balance at 31 December	**9,339,678**	7,345,717

As at and for the year ended 31 December 2014 QAR '000s

20. OTHER LIABILITIES

	2014	2013
Interest payable	161,229	153,668
Accrued expense payable	157,996	174,628
Other provisions (Note i)	178,413	177,940
Negative fair value of derivatives (Note 36)	209,300	387,143
Unearned income	68,171	68,814
Cash margins	275,833	184,373
Accounts payable	372,678	352,552
Directors' remuneration	18,000	18,000
Social & sports activities support fund ("Daam") (Note 23)	48,505	40,135
Dividend payable	12,139	18,843
Managers' cheque and payment order	27,619	58,336
Unclaimed balances	11,580	10,149
Due for trade acceptances	383,078	299,831
NCI – put option fair value	723,721	512,761
Deferred tax liabilities	134,227	168,280
Income tax payable	30,755	27,198
Others	572,792	779,594
Total	**3,386,036**	3,432,245

(i) Other provisions

	Provident fund (a)	Pension fund (b)	Total 2014	Total 2013
Balance at 1 January	176,458	1,744	178,202	143,694
Acquisition of subsidiary	-	-	-	8,538
Provision made during the year (note 31)	34,032	9,042	43,074	34,378
Earnings of the fund	5,044	-	5,044	4,579
Provident fund – staff contribution	7,690	4,003	11,693	11,586
Transferred to state retirement fund authority	-	(13,388)	(13,388)	(11,552)
Payment during the year	(45,458)	-	(45,458)	(12,390)
Exchange difference	(754)	-	(754)	(893)
Balance at 31 December	**177,012**	**1,401**	**178,413**	177,940

(a) The provident fund includes the Group's obligations for end of service benefits to expatriate staff per Qatar labour law and the employment contracts.

(b) Pension fund contributions in respect of the national staff are paid to the State administered retirement fund at the end of each month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

21. EQUITY

(a) Share capital

The issued, subscribed and paid up capital of the Bank is QAR 2,969,356,460 (2013: QAR 2,474,463,720) divided into 296,935,646 (2013: QAR 247, 446,372) ordinary shares of QAR 10 each.

In thousands of shares	**2014**	2013
On issue at the beginning of the reporting period	247,446	247,446
Bonus shares issued	49,490	-
In issue at 31 December	**296,936**	247,446

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' Annual/Extra-ordinary General meeting of the Bank.

(b) Legal reserve

The Legal Reserve of Commercial Bank and Abank are QAR 8,740 million (2013: QAR 8,740 million) and QAR 80 million (2013: QAR 80 million) respectively, totalling QAR 8,820 million (2013: QAR 8,820 million)

In accordance with Qatar Central Bank Law No 33 of 2006 as amended, 10% of the net profit of the year is required to be transferred to legal reserve. Share premium collected from the issuance of new shares also transferred to legal reserve. Transfer to legal reserve from net profit is mandatory until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No 5 of 2002 and is subject to pre-approval from QCB.

In accordance with the Turkish Commercial code, an entity is required to transfer 5% of net profit until the legal reserve is equal to 20% of issued and fully paid up share capital. Rate for transfer to legal reserve goes up to 10% of net profit allocated for distribution excluding the first 5% of the allocated profit. Share premium and proceeds from cancelled shares, if any net of related expenses are also transferred to legal reserve.

(c) General reserve

As per the Bank's Articles of Association, the general reserve may only be used in accordance with a resolution from the General Assembly upon the Board of Directors recommendation and after obtaining Qatar Central Bank approval.

(d) Risk reserve

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.50% of the total loans and advances of the Group inside and outside Qatar after the exclusion of the specific provisions and interest in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees is excluded from the gross direct finance. From distributable profit of the year, the total amount of transfer made to the risk reserve was QAR 392 million (2013: QAR 392 million).

(e) Fair value reserves

The fair value reserve arises from the revaluation of the available-for-sale investments and change of post acquisition fair value reserve of its associates.

As at and for the year ended 31 December 2014 QAR '000s

21. EQUITY (CONTINUED)

(f) Other reserves

This represents the Group's share of profit from investment in associates and joint ventures, net of cash dividend received, as required by QCB regulations as follows:

	2014	2013
Balance as at 1 January	835,840	673,604
Share of result of associates (note 12)	381,166	324,933
Dividend from associates (note 12)	(118,916)	(162,697)
Net movement	262,250	162,236
Balance as at 31 December	**1,098,090**	835,840

(g) Proposed cash dividend and bonus shares

The Board of Directors has proposed a cash dividend of 35% (or QAR 3.5 per share) for the year 2014. The Board of Directors has also proposed a bonus share issue of 10% of the Bank's capital as at 31st December 2014 (2013: 20%). These proposals are subject to approval at the Annual General Assembly.

(h) Dividends paid

During the year, the shareholders received a dividend of QAR 2 per share totalling QAR 495 million in respect of the year ended 31 December 2013 (2013: QAR 6 per share totalling QAR 1.48 billion in respect of the year ended 31 December 2012).

(i) Instrument eligible for additional capital

In December 2013 the Bank raised additional tier 1 capital by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes for an amount of QAR 2 billion. The distributions (i.e. coupon payments) are discretionary and non-cumulative and priced at a fixed rate of 6% per annum, payable semi-annually until the first call date (i.e. 1 December 2019), and thereafter to be reset at a prevailing 5 year mid-swap rate plus margin every sixth year.

The Note is ranked junior to the Bank's existing unsubordinated obligations including existing subordinated debt and depositors, pari passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank

The Note has no fixed redemption date and the Bank can only redeem the Note in the limited circumstance as mentioned in the term sheet i.e. regulatory / tax redemption and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the proposed Capital issue, if a "loss absorption" event is triggered and the Bank has non-discretionary obligation to deliver cash or financial assets or settle the Note in variable equity instruments. These notes have been classified under equity.

During the year bank paid a 6% dividend amounting to QAR 120 million in respect of the year ended 31 December 2014 (2013: QAR Nil)

22. OTHER COMPREHENSIVE INCOME

	2014	2013
Available-for-sale investments:		
Positive change in fair value	323,986	111,254
Negative change in fair value	(17,719)	(307,898)
Net change in fair value	306,267	(196,644)
Net amount transferred to profit or loss*	(62,347)	(95,182)
	243,920	(291,826)
Foreign currency translation differences for foreign operation	(239,955)	(232,988)
Share of other comprehensive income of associates	(6,392)	(17,924)
Total other comprehensive income	**(2,427)**	(542,738)

*Net amount transferred to profit or loss includes a positive change in fair value of QAR 62.6 million (2013: QAR 101.4 million) and a negative change in fair value of QAR 0.3 million (2013: QAR 6.2 million).

As at and for the year ended 31 December 2014 QAR '000s

23. CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES SUPPORT FUND ("DAAM")

Pursuant to Law No. 13 of 2008, the Bank made an appropriation of QAR 48.5 million (2013: QAR 40.1 million) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit for the year ended 31 December 2014.

24. INTEREST INCOME

	2014	2013
Loans and advances to customers	3,833,458	2,909,269
Debt securities	651,448	591,425
Amounts deposited with banks	146,015	99,955
Amounts deposited with central banks	10,190	6,497
	4,641,111	3,607,146

25. INTEREST EXPENSE

	2014	2013
Customer deposits	1,136,497	697,953
Debt securities	519,657	476,029
Other borrowings	128,371	101,709
Amount deposited by banks	275,920	143,096
	2,060,445	1,418,787

26. FEE AND COMMISSION INCOME

	2014	2013
Loans and financing advisory services	473,544	427,449
Credit and debit card fees	323,326	236,729
Indirect credit facilities	137,450	123,130
Banking and other operations	186,270	45,480
Investment activities for customers	49,663	19,685
	1,170,253	852,473

27. FEE AND COMMISSION EXPENSE

	2014	2013
Credit and debit card fees	225,538	148,661
Brokerage services	40,955	3,121
Others	24,148	25,101
Total	**290,641**	176,883

As at and for the year ended 31 December 2014 QAR '000s

28. NET FOREIGN EXCHANGE GAIN

	2014	2013
Dealing in foreign currencies	250,203	534,599
Revaluation of monetary assets and liabilities	(130,547)	(355,211)
	119,656	179,388

29. INCOME FROM INVESTMENT SECURITIES

	2014	2013
Net gain on disposal of available-for-sale securities	166,787	193,450
Dividend income	16,504	18,854
Gain / (loss) on investment securities at fair value through income statement	2,179	(2,770)
	185,470	209,534

30. OTHER OPERATING INCOME

	2014	2013
Gain on sale of property and equipment and other income	87,357	135,606
Rental income	42,626	41,465
Management fees from associates	7,082	3,954
	137,065	181,025

31. STAFF COSTS

	2014	2013
Salaray & allowances	754,014	614,488
Health care and medical insurance expenses	21,340	19,453
Staff end of services and pension fund contribution (Note 20 (i))	43,074	34,378
Training & education	14,039	16,381
	832,467	684,700

32. OTHER EXPENSES

	2014	2013
Marketing and advertisement	95,282	93,643
Professional fees	73,542	110,940
Communication, utilities and insurance	55,940	56,701
Board of Directors' remuneration	18,000	18,000
Directors' meeting attendance fees	630	2,490
Occupancy, IT consumables and maintenance	68,437	75,770
Travel and related costs	10,395	8,515
Printing and stationery	4,703	8,123
Outsourcing service costs	84,953	72,851
Others	180,080	161,709
	591,962	608,742

33. 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:

	2014	2013
Profit for the year attributable to the equity holders of the Bank	1,880,316	1,604,485
Less: Dividend on instrument eligible for additional capital	(120,000)	-
Profit for EPS calculation	1,760,316	1,604,485
Weighted average number of outstanding ordinary shares in thousands*	296,935	296,935
Earnings per share (QAR)	**5.93**	5.40

*Number of ordinary share of 2013 restated for 20% Bonus share issue.

34. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2014	2013
a) Contingent liabilities		
Unutilized credit facilities	6,156,369	7,980,374
Guarantees	21,449,106	18,569,021
Letters of credit	4,046,513	5,408,175
Total	**31,651,988**	31,957,570
b) Other commitments		
Forward foreign exchange contracts and derivatives at notional value	16,002,708	33,744,712
Capital commitments	399,857	488,504
Total	**16,402,565**	34,233,216

As at and for the year ended 31 December 2014 QAR '000s

34. CONTINGENT LIABILITIES AND OTHER COMMITMENTS(CONTINUED)

b) Other commitments (continued)

Unused facilities

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

Guarantees and Letters of credit

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

Lease commitments

The Group leases a number of branches and office premises under operating leases. Lease rentals are payable as follows:

	2014	2013
Less than one year	2,725	25,342
Between one and five years	124,782	12,029
More than five years	9,829	1,442
	137,336	38,813

35 CASH AND CASH EQUIVALENTS

	2014	2013
Cash and balances with central banks *	2,803,095	2,974,770
Due from banks up to 90 days	9,946,582	11,889,904
	12,749,677	14,864,674

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

As at and for the year ended 31 December 2014 QAR'000s

36. DERIVATIVES

				Notional / expected amount by term to maturity			
At 31 December 2014:	**Positive fair value**	**Negative fair value**	**Notional amount**	**within 3 months**	**3 - 12 months**	**1-5 years**	**More than 5 years**
Derivatives held for trading:							
Interest rate swaps	162,315	160,674	2,967,174	12,816	46,130	270,180	2,638,048
Forward foreign exchange contracts and others	59,173	23,799	11,581,046	8,685,304	1,406,729	1,489,013	-
Derivatives held for fair value hedges:							
Cross currency interest rate swaps	-	11,415	1,029,306	-	1,029,306	-	-
Derivatives held for cash flow hedges:							
Forward foreign exchange	2,269	-	81,196	38,944	-	42,252	-
Interest rate swaps	-	13,412	343,986	-	-	343,986	-
Total	**223,757**	**209,300**	**16,002,708**	**8,737,064**	**2,482,165**	**2,145,431**	**2,638,048**
At 31 December 2013:							
Derivatives held for trading:							
Interest rate swaps	207,073	204,762	3,196,091	12,153	215,746	255,996	2,712,196
Forward foreign exchange contracts and others	259,115	182,381	29,519,315	22,092,798	7,325,038	101,479	-
Derivatives held for fair value hedges:							
Cross currency interest rate swaps	113,988	-	1,029,306	-	-	1,029,306	-
Total	580,176	387,143	33,744,712	22,104,951	7,540,784	1,386,781	2,712,196

The bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counter-parties.

37. INVESTMENT CUSTODIAN

As at the end of the reporting date, the Group holds QAR 268 million (2013: QAR 189 million) worth of international investment securities on behalf of its customers. Out of this amount, investment securities with a value of QAR 223 million (2013: QAR 135 million) are held with an international custody and settlement house. The remaining investment securities are held with the financial institutions through whom the securities were purchased. These financial institutions are industry leaders in their respective fields. The Group has established maximum limits for such holding with each financial institution according to its risk management policy.

As at and for the year ended 31 December 2014 QAR '000s

38. RELATED PARTIES

The Group carries out various transactions with subsidiaries, associate companies, members of the Board of Directors and the executive management or companies in which they have significant interest or any other parties of important influence in the Group's financial or operations decisions. The balances at the year end with these accounts were as follows:

Board members	**2014**	2013
- Loans, advances and financing activities (a)	1,646,600	2,143,286
- Deposits	272,589	416,133
- Contingent liabilities, guarantees and other commitments	5,603	33,481
- Interest income earned from facilities granted to board members	9,982	12,292
- Other fee income earned from transactions with board members	550	1,268
- Interest paid on deposits accounts of board members	9,495	10,306
- Remuneration, meeting attendance fees and salaries paid to board members	19,190	23,850
Associated companies		
Due from banks	506,181	364,729
Due to banks	95,313	482,504
Deposits	12,363	26,931
Contingent liabilities	757,271	757,877
- Interest earned from Associates	1,124	776
- Interest paid to Associates	404	357
Senior management compensation/Transaction		
- Fixed remuneration	67,520	44,717
- Discretionary remuneration	26,704	26,344
- Fringe benefits	3,014	4,242
- Loans and advances (b)	9,366	20,820

(a) A significant portion of the loans, advances and financing activities' balance at 31 December with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities' are performing satisfactorily with all obligations honored as arranged. In the opinion of the management the pricing of any such transactions are primarily based on the banker customer relationship at the prevailing market rates.

(b) No impairment losses have been recorded against balances outstanding during the period with key management personnel, and no specific allowance has been made for impairment losses on balances with key management personnel at the period end.

39. Other Equity - Put option

In 2013 the Group acquired 74.24% of the ordinary shares and voting interest in Abank. For the remaining ordinary shares a put option is held by the non-controlling shareholder of ABank. Although the Group considers there is only a small likelihood of the put option being exercised, IAS 32 Financial Instruments - Presentation requires the present value of the potential amount payable to be recognized as a liability regardless of the probability of exercise of the put option, as this is not within the Group's control.

As at and for the year ended 31 December 2014 QAR '000s

FINANCIAL STATEMENTS OF THE PARENT

a. Statement of Financial Position – Parent

As at 31 December	**2014**	2013
ASSETS		
Cash and balance swith central bank	4,817,430	4,761,821
Due from banks	15,843,404	15,128,956
Loans and advances to customers	58,936,439	54,613,243
Investment securities	10,181,121	11,486,220
Investment in associates and subsidiaries	5,645,954	5,641,612
Property and equipment	1,258,893	1,223,509
Other assets	1,778,221	1,808,376
TOTALASSETS	**98,461,462**	94,663,737
LIABILITIES		
Due to banks	13,269,035	9,816,471
Customer deposits	53,128,421	55,285,405
Debt securities	7,694,511	8,734,929
Other borrowings	5,631,949	3,111,904
Other liabilities	2,478,706	2,232,518
TOTAL LIABILITIES	**82,202,622**	79,181,227
EQUITY		
Share capital	2,969,356	2,474,464
Legal reserve	8,740,365	8,740,365
General reserve	26,500	26,500
Risk reserve	1,487,500	1,316,300
Fair value reserves	109,364	(40,529)
Other equity	(723,721)	(512,761)
Retained earnings	1,649,476	1,478,171
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**14,258,840**	13,482,510
Instrument eligible for additional capital	2,000,000	2,000,000
TOTAL EQUITY	**16,258,840**	15,482,510
TOTAL LIABILITIES AND EQUITY	**98,461,462**	94,663,737

As at and for the year ended 31 December 2014 QAR '000s

FINANCIAL STATEMENTS OF PARENT (continued)

b. Income Statement – Parent

For the year ended 31 December	2014	2013
Interest income	2,981,833	2,900,659
Interest expense	(1,019,987)	(1,026,856)
Net interest income	**1,961,846**	1,873,803
Fee and commission income	864,504	741,917
Fee and commission expense	(246,141)	(160,257)
Net fee and commission income	**618,363**	581,660
Foreign exchange gain	166,494	161,406
Income from investment securities	184,238	253,923
Other operating income	112,833	105,268
Net operating income	**3,043,774**	2,976,060
Staff costs	(550,141)	(530,798)
Depreciation	(126,652)	(131,148)
Impairment loss on investment securities	(49,811)	(109,937)
Net impairment loss on loans and advances to customers	(515,983)	(460,429)
Other expenses	(419,306)	(464,557)
Profit before dividend income from associates	**1,381,881**	1,279,191
Dividend income from associates	118,916	162,697
Profit for the year	**1,500,797**	1,441,888