

بنك قطر الأول  
QFB

ANNUAL REPORT 2014

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# BOARD MEMBERS



Mr. Abdulla bin Fahad  
bin Ghorab Al Marri  
Chairman - State of Qatar



Mr. Ibrahim Mohammed  
Al AbdulAziz Al Jomaih  
Vice Chairman - Kingdom of Saudi Arabia



Mr. Ibrahim Mohamed  
Ibrahim Al Jaidah  
Board Member - State of Qatar



Mr. Ahmed bin  
Abdullah Al Marri  
Board Member - State of Qatar



Mr. Anwar Jawad Ahmed  
Bukhamseen  
Board Member - State of Kuwait



Sh. Hamad bin Nasser bin  
Jassim Al Thani  
Board Member - State of Qatar



Sh. Khaled bin  
Khalifa Al Thani  
Board Member - State of Qatar



Mr. Khalid Abdullah Khouri  
Board Member -  
United Arab Emirates



Mr. Ali bin Mohammed  
Al Obaidli  
Board Member - State of Qatar



Mr. Mohammad Nasser  
Al Faheed Al Hajri  
Board Member - State of Qatar



Mr. Mosabah Saif  
Mosabah Al Mutairy  
Board Member - Sultanate of Oman

# SHARI'AH SUPERVISORY BOARD MEMBERS



Prof. Dr. Ali Al Quradaghi  
Chairman



Shaikh Dr. Yahia Al-Nuami  
Member



Shaikh Dr. Sultan Al Hashmi  
Member

# EXECUTIVE MANAGEMENT



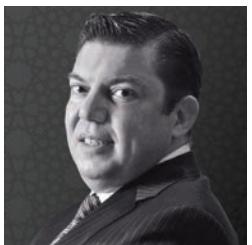
Ahmad Meshari  
Acting Chief Executive Officer



Ihab Asali  
Chief Executive Officer  
Alternative Investments



Sulaiman Yousif Al-Salhi  
Chief Business Officer



Ayman Zaidan  
Head of Treasury

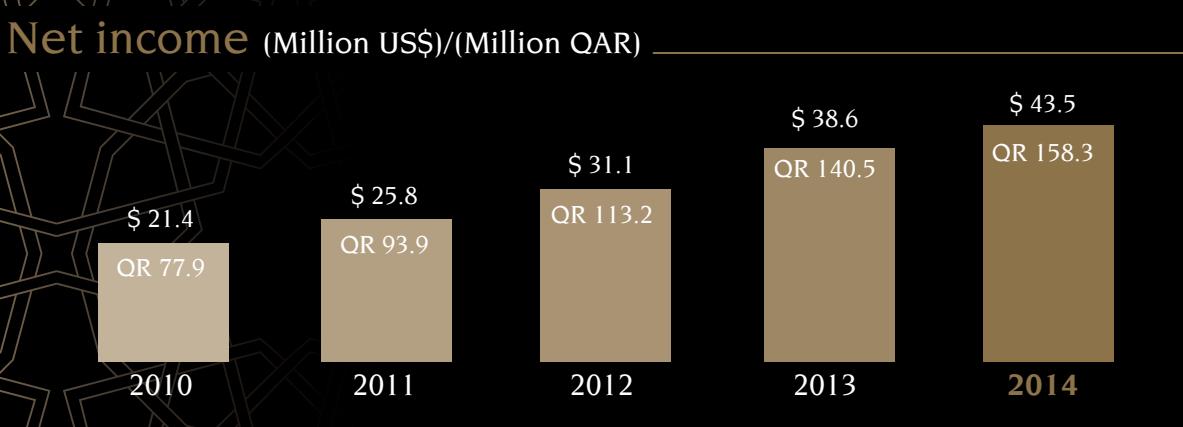
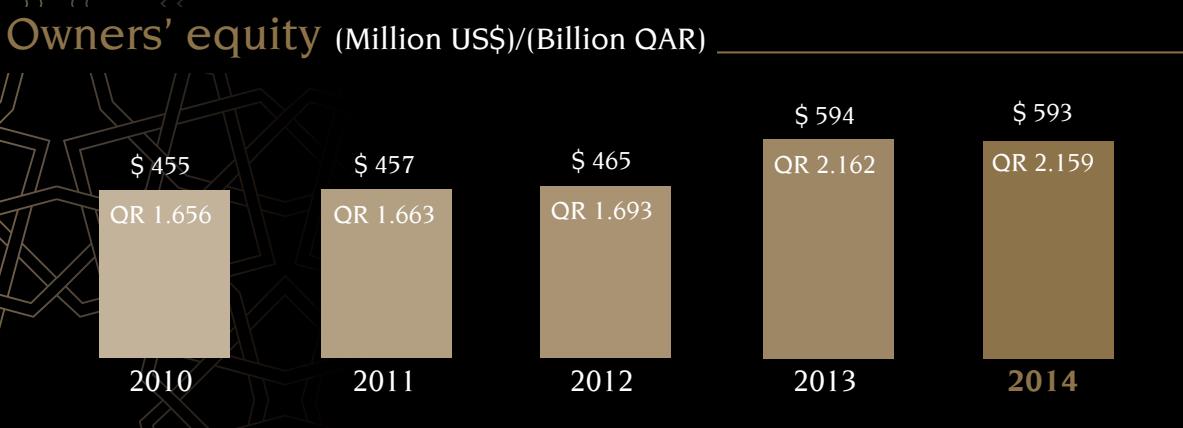
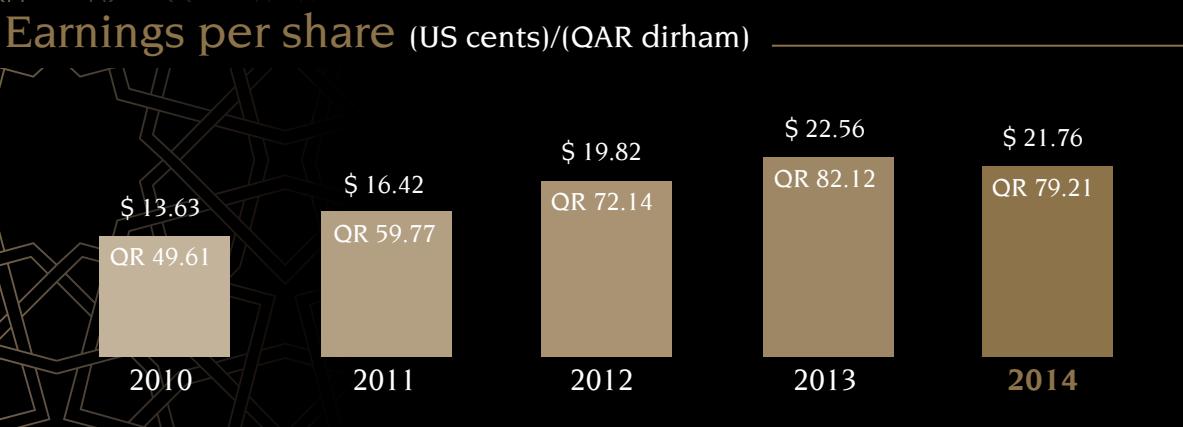


Hani Katra  
Chief Financial Officer



Nayeem Khan  
Chief Operating Officer

# FINANCIAL HIGHLIGHTS



**Total Assets**  
**\$ 1.282 billion**

\*QR 4.666 billion

**Total Invested Capital**  
**\$ 466 million**

\*QR 1.696 billion

**Total Income**  
**\$ 186.8 million**

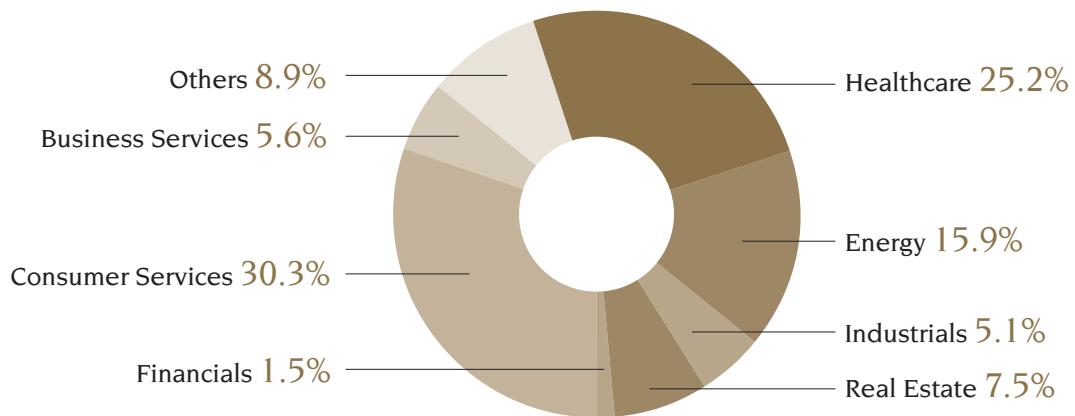
\*QR 679.9 million

**Net Income**  
**\$ 43.5 million**

\*QR 158.3 million

\*Equivalent in Qatari Riyal

## Investments by Sector





# CHAIRMAN'S ANNUAL REVIEW

In the name of Allah, the most Compassionate and the most Merciful. May God bestow His prayers and peace upon our Prophet Muhammad, his Relatives and Companions.

2014 has been another successful year for Qatar First Bank, a year in which Islamic finance is expected to cross the \$2 trillion mark globally, making ever clearer its importance and potential for continued expansion. QFB enjoyed further recognition as a leading Shari'ah compliant financial institute, with the efforts of our talented team were demonstrated by a 13 percent rise to 2013 net income.

## The Global Economic Climate

This last year has seen an ongoing but uneven recovery in the global economy, with overall growth lower than anticipated due to a slow first six months. Some advanced economies have performed more poorly than expected, with Japan entering a surprise recession, while there has also been a rise in geopolitical tensions in Europe, Asia and the Middle East. The latest IMF World Economic Outlook consequently downgraded its forecasted growth for 2014 from 3.7 percent to 3.3 percent. The OECD has also voiced concerns about unemployment and inflation in the Eurozone, while noting that China and India remain strong performers, and urging continued investment in education and infrastructure. With these caveats, however, it is encouraging that despite disputes between states and debates over whether too much austerity has been choking growth, the overall trend has been upwards, and is predicted to continue so into 2015.

“ 2014 has been another successful year for Qatar First Bank, a year in which Islamic finance is expected to cross the \$2 trillion mark globally ”

## **GCC and MENA Region**

In the wider Middle East, security conditions have drastically deteriorated in some countries, hampering efforts to build capacity and even stave off economic collapse in extreme cases. Oil prices have fallen more than 40% in 2014 – the sharpest drop in four years. This is in part due to new production from shale coming online in the US, where crude production is also at a 30 year high, and lower demand from Europe, leading overall to a severe correction in commodities prices. Growth has, however, remained robust in the GCC, driven by strong domestic investment and continuing government spending on large infrastructure projects. Long-term plans to expand tourism, transport, wholesale and retail trade, education, the cultural sector and healthcare underpin stability.

Qatar itself has enjoyed growth above the regional average, while financial stability remains a top priority, with the government pursuing policies of lower public borrowing, ensuring steady and sustainable growth, and encouraging the private sector to take an ever-larger role in the economy. All government departments are now focussing on implementing policies that can lift investment, and the legal framework underpinning supervision and regulation have been further developed for the benefit of all who work and invest in the country, its institutions and its business sector.

## **The Way Forward**

While civil strife disrupts part of Middle East, the GCC remains a vibrant and forward-looking part of the world in which to do business. Its cities are increasingly centres of commerce and culture attracting entrepreneurs from countries far and wide and proving to be the destination of choice for young Arabs across the region. On top of the FIFA 2022 World Cup, Qatar has recently been chosen to host the 2019 World Athletics Championships – further confirmation of the country's remarkable progress and capacity to compete at the global level, as also shown by it being ranked the top Arab country in this year's United Nations 2014 Human Development Report.

QFB is well placed to take advantage of the many opportunities in the region, and in Qatar itself as we continue to source lucrative investment opportunities, offer our clients unparalleled services, and look to the future with optimism and excitement.

We give thanks for the gracious support of HH the Emir Sheikh Tamim Bin Hamad Al Thani, our shareholders, Shari'ah board, executive management, and most importantly, our staff. Your dedication and hard work has enabled the Bank to deliver substantial profits, and it is your continued enthusiasm that will enable the Bank to reach new heights.

May Allah enlighten our path and bless us to realise our ambition of becoming the standard-bearer of Shari'ah compliant financial institutions in the region.



**Abdulla bin Fahad bin Ghorab Al Marri**  
Chairman



# EXECUTIVE MANAGEMENT REVIEW

On behalf of the Executive Management, I am pleased to present our review of 2014 operations.

QFB delivered another strong performance in 2014. Despite the challenges facing the banking industry in our target markets, QFB secured lucrative investment opportunities and built upon our existing investment portfolio which continues to deliver healthy returns. We have been very active over the past twelve months, rolling out several strategic initiatives to streamline our business, and expanding our Private Banking & Wealth proposition.

Our sixth year of operation ended on a high note owing to positive performance from all our business lines. QFB closed 2014 by recording a gross income of US\$ 186.8 mn (equivalent to QAR 679.9 mn), an increase of 6 percent on 2013. Our net income of US\$ 43.5 mn (QAR 158.3mn) showed an increase of 13 percent on 2013 net income. During 2014, we invested US\$ 130 mn (QAR 473 mn), bringing our total capital invested to date to US\$ 466 mn (QAR 1.696 bn).

## ALTERNATIVE INVESTMENTS

### New Investments

#### Food Services Company

The food and beverage sector (F&B) is growing rapidly across the MENA region and specifically in Qatar, driven by population growth and rising disposable income. In December 2014, QFB acquired a 49% stake in Food Services Company (FSC). FSC was established in 1997 in Doha as one of Qatar's first home-grown and branded F&B concepts and has grown significantly since to become a leading F&B company, operating a sixteen-branch network of five brands including Opera Patisserie, and Take Away. FSC will continue to leverage its leading market position to roll out new branches of its brands across Qatar.

#### Amanat Holdings

Amanat Holdings is the largest integrated healthcare and education investment company in the GCC and is listed on the Dubai Financial Market with paid-up capital of AED 2.5 bn. Amanat will establish and incorporate companies working in the healthcare and education sectors, and develop, manage and operate these companies within the GCC.

QFB subscribed to shares in Amanat worth AED 125mn, equivalent to a 5.0% stake, making QFB the third largest shareholder.

#### David Morris

QFB acquired a 50% share in high-end jeweller David Morris, headquartered in London's prestigious Bond Street, in January 2014. The company has a branch in Hong Kong and franchises in Moscow and Latvia, and a growing presence in the Middle East with branches in Dubai and Abu Dhabi and a franchise in Doha.

Since acquisition, the QFB team has worked closely with the company's management to implement a new strategic plan and expand its geographical footprint. QFB has provided growth capital and was instrumental in securing an outlet in Harrods (opened December 2014). During 2015, David Morris will be opening a new, larger store in Doha and is currently also examining opportunities in Paris and Macau.

### Investment Portfolio Updates

#### Westbourne House & Leinster Square

Following QFB's successful acquisition in 2012 of properties Westbourne House & 7-12 Leinster Square in the heart of London, QFB worked closely with property development manager Alchemi Group to oversee construction work converting both to luxury residential apartments. Both projects are expected to complete by summer 2015. During 2014, QFB launched sales in Doha with considerable success. Over half the apartments are sold and we are investigating new investment opportunities in London to build on this success.

#### Al Rifai

In 2014, Al Rifai settled its litigation against Al Homaizi in relation to a joint venture by which Al Rifai Nuts and Confectionery Limited (ARNC), a wholly-owned Al Homaizi company, will acquire all rights to sell Al Rifai products in fourteen countries across the MENA region. Al Rifai will now increase its focus on European, North American and South American markets, which it believes to have significant potential.

## **Al Noor**

In September 2014, Deutsche Bank underwrote and sold a 7.3% stake in Al Noor, reducing Astro SPV's stake to 20%. QFB, holding a 17.5% stake in Astro SPV, which in return increased the total proceeds from its investment to US\$ 90m while retaining a stake of 3.5% in the company.

## **PRIVATE BANKING**

QFB continued to build our Private Banking & Wealth proposition in 2014, successfully growing a client base with over US\$ 600mn of deposits gathered to date. This represents a significant increase from the US\$ 84mn in deposits taken at the end of 2013. Construction work of our flagship branch began, with completion expected in Q2 of 2015. We also upgraded our Core Banking System and are working to deploy cutting-edge technologies to develop client interfaces.

## **Ezdan Holding Group**

In April 2014, QFB acted as co-arranger for Ezdan Holding Group's first tranche of its US\$ 500mn debut syndication. This was the first ever 100% Islamic international syndication for a Qatari corporate in the real estate sector. The transaction applied a very strict Shari'ah standard but still meets LMA requirements. The proceeds will be used to support the Group in the completion of its key commercial and residential real estate projects in Qatar.

## **TREASURY**

Despite shrinking credit spreads and high volatility generally in the Sukuk markets in 2014, QFB's Sukuk portfolio continued to grow while maintaining sound credit quality and healthy credit spreads.

The team continues to diversify its funding mix in light of the tight liquidity positions in international and local capital and money markets. Profit rate exposure remains dynamically hedged and the fixed income investments are shielded from any profit rate volatility. Anticipating US Federal Reserve and Bank of England profit rate rises in 2015, the team is well prepared for any movement in yield curves in terms of product availability and different funding and hedging instruments.

The team continued to strengthen its relationships with local, regional and international banks and develop its financial markets platform in order to cater to the Bank's client base.

## **RISK MANAGEMENT**

A key milestone in 2014 was establishing a governance framework that is aligned with QFB's evolving business requirements and ensures that continued business growth is achieved within the defined overall risk management framework. The Risk Management Department supported Commercial Banking's strategic objective of a diversified commercial portfolio including high-net-worth individuals as well as corporates, through a strong pre-approval risk assessment and analysis, together with subsequent portfolio performance monitoring of collaterals and repayments. In addition, the development of a control and monitoring system has been put in place to support the technical launch of the business.

Other highlights from the Risk Management Department in 2014 include the implementation of new QFCRA regulatory requirements in line with international best standards. This has shown the Bank's capital adequacy is conservatively above the minimum required ratio set by the QFCRA.

## **HUMAN RESOURCES**

We continued our focus on implementing best practices in human capital development by actively offering training and career development opportunities to our staff.

A major milestone in 2014 was formal approval to include QFB Qatari employees under the umbrella of Law No (24) of 2002 regulating retirement and pensions for Qatari Nationals, a compelling advantage to attract more talented Qatari nationals to join the QFB team.

## **CORPORATE SOCIAL RESPONSIBILITY**

QFB plays an important role in the development of the local community of which we are proud to be a part. In 2014, we organized our annual Ramadan Blessings Campaign including an iftar for the Qatar Foundation for Care of the Elderly and an in-kind donations campaign. Donations received were given to Qatar Charity for distribution to families in need.

QFB also signed a MoU with Qatar University to engage students at the College of Business & Economics in joint activities, including guest speaker seminars, internship opportunities and academic research. The MoU is the first under the Al Rowad initiative launched by QFB to provide an enriching learning experience to students and equip them with crucial business and banking principles to complement their academic knowledge. The initiative demonstrates QFB's commitment to helping educate and develop Qatar's youth, and in line with this commitment, QFB also continued to support Injaz initiatives in local schools.

## **2015 OUTLOOK**

QFB's vision of building one of the finest Shari'ah-compliant financial institutions in the MENA region remains as strong as ever. With our prudent investment approach, sound corporate governance and seasoned professionals, we are committed to building on our past successes and continuing to provide our shareholders with sound returns.

In 2015, QFB will strive to drive business forward in several areas and to seize opportunities arising from Qatar's economic growth. We are working to develop further our Private Banking & Wealth product offering and investment solutions to clients. Our new QFB flagship branch is expected to open soon. QFB will also continue to work closely with regulators to list the Bank on the Qatar Exchange.



**Ahmad Meshari**

Acting Chief Executive Officer

# CORPORATE GOVERNANCE



“ In the year 2014, the Board approved various initiatives to build the corporate governance and policies and procedures needed to implement the new business line of private banking encompassing commercial and corporate banking ”

At Qatar First Bank (QFB) we are committed to operating to the highest standards of corporate governance and in this regard we have looked to structure our corporate governance framework to comply with good corporate governance practices in Qatar and in particular we have looked to adopt good practice as set out in the QFC Regulatory Authority's "A Guide to Corporate Governance for QFC Authorised Firms" whilst also adopting best practices from the Qatar Financial Markets Authority's 'Corporate Governance Code for Listed Entities'.

QFB's business is conducted under a corporate governance framework made up of the Board of Directors, the Shari'ah Supervisory Board, the senior management and its staff led by the Acting Chief Executive Officer with the principal aim of building and enhancing the value of QFB for its shareholders.

The Board of Directors (Board) is elected by the shareholders to oversee management and to ensure that the interests of the shareholders are being served. At the shareholders meeting in 2012, the entire Board was re-elected for a three year term. This year the Board of Directors will be reduced from 12 to 11 members as part of the ongoing requirement to fulfil the listing criteria stipulated by the Qatar Financial Markets Authority. The Board extends a deep appreciation for the very many contributions of the departing director, Dr. Fahad Abdulla Al Damer.

The Board appoints the ACEO to manage the day to day affairs of the Bank in line with the resolutions of the Board and the shareholders. The ACEO and his management team make the necessary appointments for the staffing needs of the Bank.

The members of the Board focus on the areas that are important to shareholders, setting out the business vision of the Bank and managing the strategy to implement the vision and its goals and the related issues arising from the Bank's business including, risk management, management development and performance, and regulatory and legal matters. Both the Board and management recognize that the interests of our shareholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, recruits, customers, suppliers, local communities, government officials and the public at large.

In addition, the Board may discharge some of its functions by constituting special committees for the purpose of undertaking specific tasks on its behalf. The members of the committee are selected based on their subject matter expertise and/or experiences. The committees send, on a regular basis, summary reports about resolutions or recommendations issued by any committee. Unless otherwise stipulated, the decisions of the committee are deemed to be approved by and accepted as decisions of the Board.

In the year 2014, the Board approved various initiatives to build the corporate governance and policies and procedures needed to implement the new business line of private banking encompassing commercial and corporate banking, placement and distribution of investment solutions and deposit taking.

The Board approved the appointment of leading international advisors to consult on various aspects of launching the initiative including undertaking a gap analysis of the overall governance structure of the Bank and instituting new policies and procedures for the management of the new business line. As part of the proposals, a standalone Board committee was established by the Board to have oversight of the detailed programs and protocols for the launch and operation of the new business line. In addition governance measures for the existing business lines were reviewed and no material findings were concluded.

# SHARI'AH SUPERVISORY BOARD REPORT

For the financial year ended  
31 December 2014

## To the Shareholders of Qatar First Bank LLC,

Praise is to Allah, Lord of the worlds; and prayers & peace be upon His Prophet Muhammad, and upon his kinsfolk, companions and those who followed his teachings...

In compliance with our terms of appointment, the Shari'a Supervisory Board (refer to hereafter as "SSB") of Qatar First Bank LLC, (refer to hereafter "the Bank") is pleased to present to you this Report. The SSB has properly performed its duties as follows:

1. The SSB, in coordination with the management, has developed Shari'a standards and guidelines for the activities and contracts of the Bank and ensured their implementation through internal Shari'a audit.
2. The SSB has endorsed and approved the financial statements and the balance sheet and ensured Shari'a compliance of the allocation of profits and losses on the investments.
3. The Chairman and the Executive Member of the SSB has drafted and reviewed standard forms of contracts and agreements related to the new financing and banking services and activities, in addition to agreements related to investment activities which were presented to the Executive Member who made the necessary amendments to comply with Shari'a principles and rules. The Chairman and the Executive Member has also responded to the questions and inquiries raised by the Bank which were later approved by the SSB.
4. The Chairman and the Executive Member has, through series of meetings and when required, provided principles and guidelines related to all aspects of banking activities and has also identified and provided innovative Shari'a compliant solutions for many challenging issues and situations faced by the Bank during the course of its operations which were later approved by the SSB.
5. The SSB, through internal Shari'a audit, has provided an adequate supervision over the activities of the Bank to ensure compliance with the resolutions of the SSB and proper implementation of the transactions by the Bank.
6. The SSB has calculated the Zakat in accordance with the approved Shari'a guidelines and in the light of the balance sheet of 2014 as presented.
7. The SSB has also performed the diligent supervision to form a transparent opinion on whether the Bank has complied with Shari'a principles and Fatwa/ resolutions issued by the SSB in respect with the principles and the contracts relating to the transactions and applications introduced by the Bank during the financial year.

In order to ensure proper implementation, the SSB has through the Shari'a Compliance Department, conducted and performed review and examination on the procedures adopted by the Bank so as to obtain all the information and explanations that the SSB considered necessary in order to provide them with sufficient evidence to give reasonable assurance that the Bank has not breached any rules or principles of Shari'a and Shari'a Standards of AAOIFI.

As a general principle and practice, the implementation of these Shari'a principles and rules are mainly the responsibility of the management. It is the SSB's responsibility to form Shari'a opinion (Fatwa), approve the contracts, review, and conduct Shari'a audit, as well as to provide Shari'a guidelines.

### Shari'a Supervisory Board's Opinion:

- a) The contracts, transactions and dealings entered into by the Bank, under review, are in compliance Shari'a rules and principles.
- b) The investments of the Bank, which were presented to us, have been executed through Shari'a compliant contracts, instruments and products approved by the SSB and do not contradict with the principles of Shari'a and were in line with AAOIFI Shari'a Standards.
- c) After reviewing the consolidated financial statement and income statement for the financial year, the SSB did not notice any breach of Shari'a rules and principles.
- d) All earnings realized from sources or by means prohibited by rules and principles of Shari'a have been credited to a special account and has been disposed of to charitable causes under the supervision of the SSB so that they do not get mixed with shareholder's funds.

Finally, we avail ourselves of this opportunity to express our gratitude and sincere prayer to these who have contributed to this great organization; our special thanks go out to the Board Members, the Chairman and to the Executive Management of the Bank for their efforts and valuable cooperation with the Executive Member, praying for Allah, the Almighty, to bless them with continuous growth and successes based on Shari'a principles and fearing Allah in a way that contributes to the development of our country. May Allah protect our country and guide its ruler to what is good.

The last of our prayer is praise is to Allah, the Lord of the worlds.



**Shaikh Prof. Dr. Ali Mohi-Aldeen Al-Quradaghi**  
Chairman and Executive Member of the Shari'ah Supervisory Board

# INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QATAR FIRST BANK L.L.C

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar First Bank L.L.C (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the related consolidated net income and consolidated statements of changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Shari'a. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014 and of the results of its operations, its cash flows, and changes in owners' equity for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.



## PricewaterhouseCoopers

Signed by

Mohamed Elmoataz

Auditor's registration number 281

5 March 2015

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

	Notes	2014	2013
<b>Assets</b>			
Cash and cash equivalents	3	<b>246,154</b>	225,057
Investments carried at amortised cost	4	<b>205,555</b>	74,828
Financing assets	5	<b>228,969</b>	83,007
Accounts receivable	6	<b>36,724</b>	33,120
Inventories	7	<b>12,511</b>	10,481
Corporate investments	8	<b>405,760</b>	278,289
Investments in real estate	9	<b>75,033</b>	61,535
Fixed assets	10	<b>37,659</b>	36,646
Intangible assets	11	<b>9,448</b>	9,306
Other assets	12	<b>24,475</b>	25,506
<b>Total assets</b>		<b>1,282,288</b>	837,775
<b>Liabilities, equity of unrestricted investment account holders, non-controlling interest and owners' equity</b>			
<b>Liabilities</b>			
Due to banks	13	<b>115,227</b>	91,477
Customers' current accounts		<b>7,245</b>	15,811
Other liabilities	14	<b>53,333</b>	54,241
<b>Total liabilities</b>		<b>175,805</b>	161,529
<b>Equity of unrestricted investment account holders</b>	15	<b>499,042</b>	68,271
<b>Non-controlling interest</b>	16	<b>14,264</b>	13,902
<b>Liabilities, equity of unrestricted investment account holders and non-controlling interest</b>		<b>689,111</b>	243,702
<b>Owners' equity</b>			
Share capital	17	<b>549,451</b>	549,451
Fair value reserves		<b>(866)</b>	4,635
Retained earnings		<b>44,592</b>	39,987
<b>Total owners' equity</b>		<b>593,177</b>	594,073
<b>Total liabilities, equity of unrestricted investment account holders, non-controlling interest and owners' equity</b>		<b>1,282,288</b>	837,775

These consolidated financial statements were approved by the Board of Directors on 5 March 2015 and signed on their behalf by:

**Abdulla bin Fahad bin Ghorab Al Marri**  
Chairman

**Ahmad Meshari Muhamadi**  
Acting Chief Executive Officer

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

	Notes	2014	2013
<b>Income</b>			
Income from assets attributable to unrestricted investment accounts	15	<b>8,585</b>	-
Less: return on unrestricted investment accounts and impairment provisions		<b>(7,526)</b>	-
Group's share of Income from unrestricted investment accounts as Mudarib		<b>1,059</b>	-
Revenue from non-banking activities	18	<b>98,105</b>	86,969
Gain on re-measurement of investments at fair value through income statement	8.3	<b>65,840</b>	66,568
Dividend income		<b>5,883</b>	288
Profit on investments carried at amortised cost		<b>1,089</b>	2,456
Gain on disposal of investments carried at amortised cost		-	1,132
Gain on disposal of corporate investments	8.3	<b>2,947</b>	7,942
Income from financing activities		<b>7,217</b>	6,886
Other income	19	<b>4,649</b>	3,900
<b>Total income</b>		<b>186,789</b>	176,141
<b>Expenses</b>			
Non-banking activity expenses	18	<b>96,150</b>	84,826
Staff costs		<b>25,235</b>	30,791
Other operating expenses	20	<b>17,501</b>	19,128
Financing costs		<b>1,828</b>	55
Depreciation and amortisation		<b>2,352</b>	2,263
<b>Total expenses</b>		<b>143,066</b>	137,063
<b>Net income before tax</b>		<b>43,723</b>	39,078
Income tax		-	-
<b>Net income</b>		<b>43,723</b>	39,078
<b>Attributable to:</b>			
Owners of the Bank		<b>43,518</b>	38,648
Non-controlling interest		<b>205</b>	430
		<b>43,723</b>	39,078
Basic/Diluted earnings per share – US cents	21	<b>21.76</b>	22.56

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

	Share capital	Fair value reserve	Retained earnings	Total
Balance at 1 January 2013	431,476	2,144	31,543	465,163
Fair value adjustments related to investment properties	-	2,451	-	2,451
Fair value adjustments related to corporate investments	-	40	-	40
Issuance of capital	117,975	-	-	117,975
Dividends (note 29)	-	-	(30,204)	(30,204)
Net income for the year	-	-	38,648	38,648
<b>Balance at 31 December 2013</b>	<b>549,451</b>	<b>4,635</b>	<b>39,987</b>	<b>594,073</b>
 <b>Balance at 1 January 2014</b>	<b>549,451</b>	<b>4,635</b>	<b>39,987</b>	<b>594,073</b>
Fair value adjustment related to investment properties	-	1,586	-	1,586
Fair value adjustments related to corporate investments	-	(7,087)	-	(7,087)
Dividends (note 29)	-	-	(38,913)	(38,913)
Net income for the year	-	-	43,518	43,518
<b>Balance at 31 December 2014</b>	<b>549,451</b>	<b>(866)</b>	<b>44,592</b>	<b>593,177</b>

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

	Notes	2014	2013
<b>Operating activities</b>			
Net income for the year		<b>43,723</b>	39,078
<b>Adjustments for non-cash items in net income</b>			
Depreciation and amortization		<b>6,903</b>	6,417
Return on unrestricted investment accounts		<b>7,526</b>	-
Unrealised gains on corporate investments	8.3	<b>(65,840)</b>	(66,568)
Provisions (net)		<b>141</b>	(250)
		<b>(7,547)</b>	(21,323)
<b>Changes in:</b>			
Investments carried at amortised cost		<b>(130,727)</b>	(22,126)
Financing assets		<b>(145,960)</b>	(23,550)
Accounts receivable		<b>(3,474)</b>	(13,212)
Inventories		<b>(2,303)</b>	643
Corporate investments		<b>(68,718)</b>	898
Investments in real estate		<b>(11,756)</b>	(4,942)
Other assets		<b>1,031</b>	(10,490)
Customers' current accounts		<b>(8,566)</b>	15,811
Other liabilities		<b>(2,356)</b>	4,318
<b>Net cash used in operating activities</b>		<b>(380,376)</b>	(73,973)
<b>Investing activities</b>			
Purchase of fixed and intangible assets		<b>(8,059)</b>	(5,921)
Proceeds from disposal of fixed assets		<b>1</b>	1
<b>Net cash used in investing activities</b>		<b>(8,058)</b>	(5,920)
<b>Financing activities</b>			
Net increase in unrestricted investment accounts		<b>423,245</b>	68,271
Proceeds from issuance of share capital		<b>-</b>	129,772
Share issuing expenses		<b>-</b>	(9,874)
Net change in due to banks		<b>23,750</b>	13,399
Dividends paid to shareholders		<b>(37,464)</b>	(28,248)
<b>Net cash from financing activities</b>		<b>409,531</b>	173,320
<b>Net increase in cash and cash equivalent</b>		<b>21,097</b>	93,427
Cash and cash equivalents at the beginning of the year		<b>225,057</b>	131,630
Cash and cash equivalents at the end of the year	3	<b>246,154</b>	225,057

The attached explanatory notes 1 to 30 form an integral part of these consolidated financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 1. Legal status and principal activities

Qatar First Bank L.L.C (the "Bank") is an Islamic bank, which was established in the State of Qatar as a limited liability company under license No.00091 dated 4 September 2008 from the Qatar Financial Centre Authority. The Bank is authorised to conduct the following regulated activities by the Qatar Financial Centre Regulatory Authority (the "QFCRA"):

- Deposit taking;
- Providing credit facilities;
- Dealing in investments;
- Arranging deals in investments;
- Arranging credit facilities;
- Providing custody services;
- Arranging the provision of custody services;
- Managing investments;
- Advising in investments; and
- Operating a collective investment fund

All the Bank's activities are regulated by the QFCRA and are conducted in accordance with the Islamic Shari'a principles, as determined by the Shari'a Supervisory Board of the Bank and in accordance with the provisions of its Articles of Association. The Bank operates through its head office located in Suhaim bin Hamad Street, Doha, State of Qatar.

## 2. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

### 2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of corporate investments and investments in real estate at fair value. The consolidated financial statements of the Bank and its subsidiaries ("the Group") have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and Shari'a Rules and Principles as determined by the Shari'a Supervisor Board of the Bank, and International Financial Reporting Standards ("IFRS"), where AAOIFI guidance is not available.

- New standard issued but not yet adopted

FAS 27 – "Investment Accounts" was issued by AAOIFI. The new FAS 27 updates and replaces two of AAOIFI's previous accounting standards relating to investment accounts – FAS 5 Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6 Equity of Investment Account Holders and Their Equivalent. The Group will assess the effect of FAS 27 to the consolidated financial statements, once it is published.

### 2.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has directly or indirectly the power to govern the financial and operating policies (control) generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Non-controlling interest represents the portion of profit or loss and net assets not owned, directly or indirectly, by the Group and are presented separately in the consolidated income statement and within owners' equity in the consolidated statement of financial position, separately from the parent's owners' equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.2 Subsidiaries (continued)

#### Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiaries. All intra-group balances, transactions, income and expenses and unrealised profits and losses resulting from intra-group transactions are eliminated in full on the consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Bank has the following subsidiaries as at 31 December 2014 and 2013:

Subsidiaries	Activity	Effective ownership as at 31 December		Year of incorporation	Country
		2014	2013		
Future Card Industries LLC	Manufacturing	<b>71.30%</b>	71.30%	2012	UAE
Al Wasita Emirates for Catering Services LLC	Catering	<b>85%</b>	85%	2008	UAE
Isnad Catering Services WLL	Catering	<b>75%</b>	75%	2012	Qatar

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition (Bargain purchase or negative goodwill) is recognised directly in the consolidated income statement in the year of acquisition.

**Purchases and sales of non-controlling interests.** To account for transactions between shareholders of non-controlling interest the Group applies the economic entity model. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

### 2.3 Foreign currencies

#### Functional and presentation currency

The currency of the State of Qatar, in which the Bank is domiciled, is Qatari Riyals which is the functional currency. However, the results and financial position of the Bank are presented in United States Dollars, which is the presentation currency of the Bank.

#### Transactions and balances

Transactions in foreign currencies are translated into United States Dollars at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the rates ruling at the date of consolidated financial position.

All differences from gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.3 Foreign currencies (continued)

#### Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a local currency different from the presentational currency are translated as follows:

- I. Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position,
- II. 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 rate on the dates of the transactions); and
- III. All resulting exchange differences are recognised as a separate component of the consolidated statement of changes in owners' equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to the consolidated statement of changes in Owners' equity within the "translation reserve". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

### 2.4 Financial assets and liabilities

#### (a) Recognition

Financial assets and liabilities are recognised on the trade date at which the Group becomes a party of the contractual provisions of the instruments.

#### (b) Derecognition

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

- the right to receive cash flows from the asset has expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

### 2.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Group intends to either settle these on a net basis, or intends to realise the asset and settle the liability simultaneously.

### 2.6 Cash and cash equivalents

Cash and cash equivalents as referred to in the consolidated statement of cash flows comprise of cash and balances with banks; and amounts of placements with financial institutions with an original maturity of three months or less.

Placements with financial institutions comprise placements with banks in the form of Wakala investment. They are stated at cost plus related accrued profit and net of provision for impairment, if any.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.7 Investments carried at amortised cost

Investments in Sukuk are carried at amortised cost when the investment is managed on a contractual yield basis and its performance is evaluated on the basis of contractual cash flows. These investments are measured initially at fair value plus transaction costs. Premiums or discounts are then amortised over the investment's life using effective profit method less reduction for impairment, if any.

Gain on disposal of investment carried at amortised cost is recognized when substantially all risks and rewards of ownership of these assets are transferred and equals to the difference between fair value of proceeds and the carrying amount at time of de-recognition.

### 2.8 Financing assets

Financing activities comprise Murabaha and Ijara contracts:

#### 2.8.1 Due from murabaha contracts

Murabaha receivables are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit. These receivables are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, any recoveries from previously written off financing activities are written back to the specific provision.

The Group considers the promise made in Murabaha to the purchase orderer as obligatory.

#### 2.8.2 Due from Ijarah contracts

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivable are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any). Ijara income is recognised on time-apportioned basis over the lease period. Income related to non-performing accounts is excluded from the consolidated statement of income.

### 2.9 Accounts receivable

Accounts receivable are stated at their cash equivalent value, which is the amount of debt due from the customers at the end of the financial period less any provision for doubtful debts. When an account receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

### 2.10 Inventories

Raw materials are stated at the lower of cost or net realisable value. Costs of raw materials include:

- (a) costs of purchases (including transport, and handling) net of trade discounts received, and;
- (b) other costs incurred in bringing the inventories to their present location and condition.

The cost of raw materials is recorded using the first-in first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Finished and semi-finished goods are measured at costs that include cost of raw materials, labour and factory overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.11 Corporate investments

Corporate investments comprise of the following:

##### (a) Investments carried at fair value

Equity type instruments are investments that do not exhibit the feature of debt type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

- **Investments carried at fair value through equity**

Equity type investments carried at fair value through equity are those equity instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity; these are designated as such at inception. Regular-way purchases and sales of these investments are recognised on the trade date which is the date on which the Group commits to purchase or sell the asset. These investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

These investments are subsequently re-measured at fair value and the resulting unrealised gains or losses are recognised in the consolidated statement of changes in equity under "Fair value reserves", until the financial asset is derecognised or impaired. At this time, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement.

The fair value of quoted investments in active market is based on current bid price. If there is no active market for such financial assets, the Group establishes fair values using valuation techniques. These include the use of recent arm's length transactions and other valuation techniques used by other participants. The Group also refers to valuations carried out by investment managers in determining fair value of certain unquoted financial assets. Investments where fair value cannot be reliably measured are carried at cost less impairment loss, if any.

- **Investments carried at fair value through income statement**

An investment is classified at fair value through income statement if acquired or originated principally for the purpose of generating a profit from short term fluctuations in price or dealers margin, or designated at fair value through income statement if such designation eliminates an accounting mismatch or the investment is managed and its performance is evaluated internally by the management on a fair value basis. These investments are recognised on the acquisition date at fair value. At the end of each reporting period, investments are re-measured at their fair value and the gain/loss is recognised in the consolidated income statement. Fair value investments through income statement do not give rise to impairment issues as diminution in value due to impairment is already reflected in the fair value and, hence in the consolidated income statement.

##### (b) Venture capital investments

Venture capital investments are held as part of investments portfolio that are managed with the objective of earning a return on these investments. The Group aims to generate a growth in the value of investments in the medium term and usually identifies an exit strategy or strategies when an investment is made.

The investments are typically in business unrelated to the Bank's business. Investments are managed on a fair value basis and are accounted for as investments designated at fair value through the income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.12 Impairment

#### Impairment of financial assets

The Group assesses impairment at each financial position date whenever there is objective evidence that a specific financial asset or a group of financial assets may be impaired.

In case of equity investments classified as fair value through equity, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is significant or prolonged requires judgement and is assessed for each investment separately. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in the fair value reserve in the consolidated statement of changes in equity.

Investments in equity instruments that are carried at cost in the absence of a reliable measure of fair value are also tested for impairment, if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount and its expected recoverable amount. All impairment losses are recognised in the consolidated income statement and shall not be reversed.

Investments carried at amortised cost are impaired when their carrying amounts exceed their expected present value of estimated future cash flows discounted at the asset's original effective profit rate. Subsequent recovery of impairment losses are recognised through the consolidated income statement, the reversal of impairment losses shall not result in a carrying amount of the asset that exceeds what the amortised cost would have been had the impairment not been recognised.

#### Impairment of non-financial assets

The Group assesses at each reporting date if events or changes in circumstances indicate that the carrying value of a non financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in the recoverable amount in future periods.

### 2.13 Investments in real estate

#### (a) Investment in real estate - held for use

Investments in real estate represent held-for-use real estate investments. Initially investments are recognised at cost including directly attributable expenditures. Subsequently, investments are carried at fair value. Fair value of investments is re-measured at each reporting date and the difference between the carrying value and fair value is recognised in the equity under investment fair value reserve.

In case of losses, they are then recognised in the equity under investment fair value reserve to the extent of availability of the reserve through earlier recognised gains assumed, in case such losses exceeded the amount available in the equity fair value reserve for a particular investment in real estate, excess losses are then recognised in the consolidated income statement under unrealised re-measurement losses on investments.

Upon occurrence of future gains, unrealised gains related to the current period are recognised in the consolidated income statement to the extent of crediting back previously recognised losses in the consolidated income statement and excess gains then are recognised in the equity under investment fair value reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.13 Investments in real estate (continued)

#### (a) Investment in real estate - held for use (continued)

Investment in real estate are derecognized when they have been disposed off or transferred to investment in real estate-held for sale when the investment in real estate is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment in real estate along with any available fair value reserves attributable to that investment are recognised in the consolidated income statement in the year of retirement or disposal.

#### (b) Investment in real estate – held for sale

Upon decision to sell an investment in real estate provided that the sale occurs within twelve months from the end of its reporting period, the investment in real estate held for use are reclassified in the statement of financial position as 'investment in real estate held-for-sale'.

Such investments in real estate are continued to be measured at fair value. Subsequent fair value adjustments are recognised in the equity under investment fair value reserve.

### 2.14 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial year in which they are incurred.

The Group depreciates fixed assets except for land, on a straight-line basis over their estimated useful lives as follows:

Category description	Years
Plant and machinery	7 – 10
Building	20
Office equipment	3 – 5
Furniture and fixtures	3 – 7
Building renovations and fixtures	5 – 10
Motor vehicles	5

### 2.15 Intangible assets

Intangible assets include the value of computer software and generated intangible assets that were identified in the process of a business combination. The cost of intangible assets is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Category description	Years
Software and Core Banking System	5 – 7
Brand and Contractual relationships	5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.16 Equity of unrestricted investment account holders

The Bank accepts funds from customers for investment in the Bank's capacity as mudarib and at the Bank's discretion in whatever manner the Bank deems appropriate without laying down any restriction as to where, how and for what purpose the fund should be invested. Such funds are classified in the statement of financial position as equity of unrestricted investment account holders.

Equity of unrestricted investments account holders is recognised when received and initially measured at cost. Subsequent to initial recognition, equity of unrestricted investments account holders are measured at amortised cost.

The allocation of profit of investments jointly financed by the Bank and unrestricted investments account holders is determined by the management of the Bank within allowed profit sharing limits as per terms and conditions of the investment accounts. Such profit is measured after setting aside impairment provisions, if any. Impairment provision is made when the management considers that there is impairment in the carrying amount of assets financed by the investment account.

Administrative expenses in connection with management of the fund are borne directly by the Bank.

### 2.17 Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Income earned by the Group is recognised on the following basis:

#### Income from placements with financial institutions

Income from short term placements is recognised on a time apportioned basis over the period of the contract based on the principal amounts outstanding and the expected profits.

#### Rental income

The Group recognises rental income from properties according to the rent agreements entered into between the Group and the tenants on an accrual basis over the period of the contract.

#### Revenue from non-banking activities

Revenue from non-banking activities relates to Group's subsidiaries and it is primarily derived from sale of goods and services, which is recognised when all of the following conditions are met:

- (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

#### Income from corporate investments

Income from corporate investments is described in note 2.11

### 2.18 Employee benefits

#### (a) Defined contribution plans

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.18 Employee benefits (continued)

##### (b) Employee's end of service benefits

The Group establishes a provision for all end of service benefits payable to employees in accordance with the Group's policies which comply with laws and regulations applicable to the Group. Liability is calculated on the basis of individual employee's salary and period of service at the financial position date. The provision for employees' end of service benefits is included within other liabilities.

#### 2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### 2.20 Income tax

The Bank is subject to income tax in Qatar in accordance with Decree no 13 for the year 2010 of the Minister of Economy and Finance addressing QFC Tax regulations applicable as of 1 January 2010. Income tax expense is charged to the consolidated income statement.

#### 2.21 Zakah

The Bank is not obliged to pay Zakah on its profits on behalf of shareholders. The Bank is required to calculate and notify individual shareholders of Zakah payable per share. These calculations are approved by the Bank's Shari'a Supervisory Board.

### 3. Cash and cash equivalents

	31 December 2014			31 December 2013		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Cash on hand	<b>1,350</b>	-	<b>1,350</b>	725	-	725
Balances with banks (current accounts)	<b>9,687</b>	<b>20,128</b>	<b>29,815</b>	86,279	23,616	109,895
	<b>11,037</b>	<b>20,128</b>	<b>31,165</b>	87,004	23,616	110,620
Restricted bank balances	-	-	-	2,625	-	2,625
Placement with financial institutions	<b>32,866</b>	<b>182,123</b>	<b>214,989</b>	85,952	25,860	111,812
	<b>32,866</b>	<b>182,123</b>	<b>214,989</b>	88,577	25,860	114,437
	<b>43,903</b>	<b>202,251</b>	<b>246,154</b>	175,581	49,476	225,057

Placements with financial institutions represent inter-bank placements in the form of Wakala and Murabaha investments. The average rate of return on Wakala and Murabaha investments is 0.61% per annum (2013: 0.59%).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 4. Investments carried at amortised cost

	31 December 2014			31 December 2013		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Investments in sukuk	<b>30,839</b>	<b>170,891</b>	<b>201,730</b>	57,733	16,867	74,600
Unamortised premiums and discounts, net	<b>585</b>	<b>3,240</b>	<b>3,825</b>	176	52	228
	<b>31,424</b>	<b>174,131</b>	<b>205,555</b>	57,909	16,919	74,828

The fair value of the Group's investments in sukuk portfolio amounted to USD 207.5 million (2013:USD 74.9 million).

## 5. Financing assets

	31 December 2014			31 December 2013		
	Relating to owners	Relating to unrestricted investment accounts	Total	Relating to owners	Relating to unrestricted investment accounts	Total
Murabaha finances	<b>126,323</b>	<b>103,668</b>	<b>229,991</b>	103,963	1,900	105,863
Ijara receivable	<b>4,586</b>	<b>25,414</b>	<b>30,000</b>	-	-	-
Others	<b>4,151</b>	<b>1,645</b>	<b>5,796</b>	-	-	-
	<b>135,060</b>	<b>130,727</b>	<b>265,787</b>	103,963	1,900	105,863
Less: Deferred profits	<b>(28,751)</b>	<b>(8,067)</b>	<b>(36,818)</b>	(22,832)	(24)	(22,856)
	<b>106,309</b>	<b>122,660</b>	<b>228,969</b>	81,131	1,876	83,007

Murabaha finances, mainly represent murabaha facilities provided to investees and individual and corporate clients as a part of private banking operations. The average rate of return on murabaha financing is 6.67% per annum (2013: 8.56% per annum).

As at 31 December 2014 and 2013, there were no overdue balances and impairment provision.

## 6. Accounts receivable

Accounts receivable comprises of the following:

	2014	2013
Trade debtors	<b>37,423</b>	33,949
Less: Provision for doubtful debts	<b>(699)</b>	(829)
	<b>36,724</b>	33,120

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 7. Inventories

Inventories comprise of the following:

	2014	2013
Raw materials	<b>9,516</b>	8,182
Semi finished goods	<b>1,790</b>	577
Finished goods	<b>1,893</b>	2,138
Less: Write down to net realisable value	<b>(688)</b>	(416)
	<b>12,511</b>	10,481

### 8. Corporate investments

	2014	2013
Investments at fair value through equity	<b>35,030</b>	11,912
Investments at fair value through income statement	<b>370,730</b>	266,377
	<b>405,760</b>	278,289

#### 8.1 Investments at fair value through equity

Investments at fair value through equity comprise of equity investments as follows:

	2014	2013
Unquoted*	<b>7,222</b>	7,222
Quoted**	<b>27,808</b>	4,690
	<b>35,030</b>	11,912

\* Due to non-availability of the fair value, the investment is carried at cost.

\*\* The investment's fair value is determined based on prevailing bid prices in an active market.

#### 8.2 Investments at fair value through income statement

Investments at fair value through income statement comprise of equity investments as follows:

Investment Type	2014	2013
Venture capital investments	<b>264,246</b>	141,781
Other investments at fair value through income statement	<b>106,484</b>	124,596
	<b>370,730</b>	266,377

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 8. Corporate investments (continued)

8.3 The following summarises the movement in corporate investments during the year:

	31 December 2014			31 December 2013		
	Investments at fair value through equity	Investments at fair value through income statement	Total	Investments at fair value through equity	Investments at fair value through income statement	Total
At the beginning of year	<b>11,912</b>	<b>266,377</b>	<b>278,289</b>	21,871	190,706	212,577
Additions	<b>34,717</b>	<b>63,452</b>	<b>98,169</b>	-	28,044	28,044
Disposal*	<b>(4,512)</b>	<b>(24,939)</b>	<b>(29,451)</b>	(10,339)	(18,941)	(29,280)
Fair value adjustments	<b>(7,087)</b>	<b>65,840</b>	<b>58,753</b>	380	66,568	66,948
<b>At the end of the year</b>	<b>35,030</b>	<b>370,730</b>	<b>405,760</b>	11,912	266,377	278,289

\* The Group partially disposed two investments at fair value through income statement and one investment at fair value through equity during 2014 which resulted in a net capital gain of USD 2.5 million and USD 0.4 million, respectively (2013: net capital gain of USD 7.6 million and USD 0.3 million respectively), that has been accounted for in the consolidated income statement.

## 8.4 Fair value measurement

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (a) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (b) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (c) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

	Level 1	Level 2	Level 3	Total
<b>31 December 2014</b>				
Investments at fair value through equity	<b>27,808</b>	-	<b>7,222</b>	<b>35,030</b>
Investment at fair value through income statement	<b>63,074</b>	-	<b>307,656</b>	<b>370,730</b>
Net gains and losses included in the consolidated statement of changes in equity	<b>(6,909)</b>	-	-	<b>(6,909)</b>
Net gains and losses, recognized through consolidated income statement	<b>2,143</b>	-	<b>63,697</b>	<b>65,840</b>
31 December 2013				
Investments at fair value through equity	4,690	-	7,222	11,912
Investments at fair value through income statement	83,186	-	183,191	266,377
Net gains and losses included in the consolidated statement of changes in equity	380	-	-	380
Net gains and losses, recognized through consolidated income statement	51,490	-	15,078	66,568

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 8. Corporate investments (continued)

#### 8.4 Fair value measurement (continued)

The below table summarises the valuation technique and inputs used in the fair value measurement at 31 December 2014 and 2013 for level three investments, measured at fair value:

	Valuation technique	Inputs used	Range of inputs	
			31 Dec 2014	31 Dec 2013
Investments at fair value through income statement	Discounted cash flows ("DCF")	Growth rate Discount rate	1% to 5% 10% to 17.2%	1.5% to 5% 10% to 15.8%

The effect on the valuations due to possible changes in key variables used for valuations:

- Growth rate. Growth rates are assumed to be in range of 1% to 5% (2013: 1.5% to 5%) based on actual and expected performance of the investee. Should the growth rates increase / decrease by 1 percentage point (2013: 1 percentage point), the carrying value of the investments would be USD 15.5 million higher / USD 10.7 million lower (2013: USD 19 million higher/ USD 14 million lower);
- Discount rate. The discount rates are assumed to be in range of 10% -17.2% (2013: 10% -15.8%) for different investments. Should these discount rates increase / decrease by 1percentage point (2013: 1 percentage point), the carrying value of the investments would be USD 16.5 million lower / USD 23.8 million higher (2013: USD 20 million lower / USD 25 million higher);
- Expected cash flows. Amount of expected cash flows and timing thereof are key variables in valuation of the investments. Should the amount of expected cash flows increase / decrease by 1 percentage point (2013: 1 percentage point), the carrying value of the investments would be USD 2.6 million higher / USD 1.8 million lower (2013: USD 2 million higher / USD 2 million lower).

### 9. Investments in real estate

	2014	2013
Investment in real estate held for use	<b>56,637</b>	61,535
Investment in real estate held for sale	<b>18,396</b>	-
	<b>75,033</b>	61,535

The table below summarises the movement in investments in real estate during the year:

	2014			2013
	Investment in real estate held for use	Investment in real estate held for sale	Total	Investment in real estate held for use
At the beginning of year	<b>61,535</b>	-	<b>61,535</b>	54,142
Additions	<b>11,756</b>	-	<b>11,756</b>	4,942
Transfer	<b>(18,396)</b>	<b>18,396</b>	-	-
Fair value adjustments	<b>1,742</b>	-	<b>1,742</b>	2,451
<b>At the end of the year</b>	<b>56,637</b>	<b>18,396</b>	<b>75,033</b>	61,535

The valuation of investment in real estate held for sale of 18.4 million was based on sales purchase agreement with a buyer. Although agreement was signed in December 2014, the transaction was completed in January 2015. Remaining investment in real estate amounting 56.6 million (2013: 43.8 million) was valued by management internally without any significant change of fair value as at 31 December 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 10. Fixed assets

	Plant and machinery	Land and buildings	Machinery and equipment	Furniture and fixture	Building renovation and fixtures	Motor vehicle	Capital work in progress	Total
<b>Cost</b>								
As at 1 January 2013	17,973	19,637	6,942	7,822	592	439	62	53,467
Additions	1,030	296	2,793	177	489	24	230	5,039
Transfers	62	-	-	-	-	-	(62)	-
Disposals	-	-	(1)	-	-	-	-	(1)
<b>As at 31 December 2013</b>	<b>19,065</b>	<b>19,933</b>	<b>9,734</b>	<b>7,999</b>	<b>1,081</b>	<b>463</b>	<b>230</b>	<b>58,505</b>
Additions	323	-	1,291	96	1,764	102	1,872	5,448
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(4)	-	-	(86)	-	(90)
<b>As at 31 December 2014</b>	<b>19,388</b>	<b>19,933</b>	<b>11,021</b>	<b>8,095</b>	<b>2,845</b>	<b>479</b>	<b>2,102</b>	<b>63,863</b>
<b>Accumulated depreciation</b>								
As at 1 January 2013	8,539	1,182	4,471	3,032	356	221	-	17,801
Depreciation charge*	964	228	1,570	1,182	53	62	-	4,059
Disposals/transfer	-	-	(1)	-	-	-	-	(1)
<b>As at 31 December 2013</b>	<b>9,503</b>	<b>1,410</b>	<b>6,040</b>	<b>4,214</b>	<b>409</b>	<b>283</b>	<b>-</b>	<b>21,859</b>
Depreciation charge*	1,020	228	1,777	1,084	279	46	-	4,434
Disposals/transfer	-	-	(3)	-	-	(86)	-	(89)
<b>As at 31 December 2014</b>	<b>10,523</b>	<b>1,638</b>	<b>7,814</b>	<b>5,298</b>	<b>688</b>	<b>243</b>	<b>-</b>	<b>26,204</b>
<b>Net book amount</b>								
<b>As at 31 December 2013</b>	<b>9,562</b>	<b>18,523</b>	<b>3,694</b>	<b>3,785</b>	<b>672</b>	<b>180</b>	<b>230</b>	<b>36,646</b>
<b>As at 31 December 2014</b>	<b>8,865</b>	<b>18,295</b>	<b>3,207</b>	<b>2,797</b>	<b>2,157</b>	<b>236</b>	<b>2,102</b>	<b>37,659</b>

\* Depreciation charge includes an amount of USD 2,775 thousand (2013: USD 2,380 thousand) which relates to non-banking activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 11. Intangible assets

	Software and core banking system	Brand and contractual relationships	Total
<b>At 1 January 2013</b>			
<b>Cost:</b>			
Beginning balance	3,755	9,607	13,362
Additions during the year	882	-	882
<b>At 31 December 2013</b>	<b>4,637</b>	<b>9,607</b>	<b>14,244</b>
<b>Amortisation</b>			
Beginning balance	1,839	741	2,580
Amortisation charge for the year*	585	1,773	2,358
<b>At 31 December 2013</b>	<b>2,424</b>	<b>2,514</b>	<b>4,938</b>
<b>Net book value as at 31 December 2013</b>	<b>2,213</b>	<b>7,093</b>	<b>9,306</b>
<b>As at 1 January 2014</b>			
<b>Cost:</b>			
Beginning balance	<b>4,637</b>	<b>9,607</b>	<b>14,244</b>
Additions during the year	<b>2,611</b>	-	<b>2,611</b>
<b>At 31 December 2014</b>	<b>7,248</b>	<b>9,607</b>	<b>16,855</b>
<b>Amortisation</b>			
Beginning balance	<b>2,424</b>	<b>2,514</b>	<b>4,938</b>
Amortisation charge for the year*	<b>693</b>	<b>1,776</b>	<b>2,469</b>
<b>At 31 December 2014</b>	<b>3,117</b>	<b>4,290</b>	<b>7,407</b>
<b>Net book value at 31 December 2014</b>	<b>4,131</b>	<b>5,317</b>	<b>9,448</b>

\*Amortisation charges included an amount of USD 1,776 thousand (2013: USD 1,773 thousand) which relates to non-banking activities.

### 12. Other assets

Other assets comprise the followings:

	2014	2013
Other receivables	<b>5,553</b>	8,397
Prepayments	<b>16,427</b>	14,586
Refundable deposits	<b>1,656</b>	1,434
Due from related parties (note 24)	<b>754</b>	742
Due from employees	<b>85</b>	347
	<b>24,475</b>	25,506

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 13. Due to banks

	2014	2013
Bank facilities	<b>41,367</b>	23,034
Bank overdraft	<b>1,160</b>	1,002
Murabaha financing	<b>64,913</b>	46,522
Ijara financing	<b>7,787</b>	8,169
Accepted wakala deposits	-	12,750
	<b>115,227</b>	91,477

As at 31 December 2014, corporate investments with the carrying amount of USD 104 million were pledged against murabaha financing (31 December 2013: USD 43 million).

## 14. Other liabilities

	2014	2013
Accounts payable	<b>26,458</b>	19,026
Staff-related payables	<b>15,258</b>	14,837
Other payables	<b>1,663</b>	10,275
Accrued expenses	<b>4,413</b>	6,013
Due to related parties (note 24)	<b>330</b>	332
Unearned revenue	<b>78</b>	75
Dividends payable	<b>5,133</b>	3,683
	<b>53,333</b>	54,241

Accounts payable represents mainly amounts due to various suppliers originated from regular business activities undertaken by Group's subsidiaries.

## 15. Equity of unrestricted investment account holders

The funds received from unrestricted investment account holders are invested on their behalf without recourse to the Group as follows as at 31 December:

	Notes	2014	2013
Cash and cash equivalents	3	<b>202,251</b>	49,476
Investment carried at amortised cost	4	<b>174,131</b>	16,919
Financing assets	5	<b>122,660</b>	1,876
		<b>499,042</b>	68,271

The assets attributable to unrestricted investment account holders have been disclosed net of impairment provision. As at 31 December 2014 and 2013 there were no impairment recognised in the assets attributable to unrestricted investment account holders.

All funds are received from Qatari corporate and individual clients.

Due to the terms of profit share ratios on mudaraba agreements and in order to align to general market profit rates, the Bank increased the income of the unrestricted investment account holders by waiving some of its share of profit as Mudarib. The share of profit waived amounted to USD 3,691 thousand (2013: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 15. Equity of unrestricted investment account holders (continued)

Income from assets attributable to unrestricted investment accounts by type is presented below:

	2014	2013
Profit on investment carried at amortised cost	<b>3,754</b>	-
Income from financing activities	<b>3,914</b>	-
Other income	<b>917</b>	-
	<b>8,585</b>	-

## 16. Non-controlling interest

	2014	2013
At 1 January	<b>13,902</b>	13,472
Fair value adjustments related to investment properties	<b>157</b>	-
Net income for the year	<b>205</b>	430
<b>At 31 December</b>	<b>14,264</b>	13,902

## 17. Share capital

	2014	2013
<b>Authorised:</b>		
250,000,000 ordinary shares (2013: 200,000,000 ordinary shares) of QAR 10 each	<b>686,813</b>	549,451
<b>Issued and paid:</b>		
200,000,000 ordinary shares (2013: 200,000,000 ordinary shares) of QAR 10 each (2013: QAR 10 each)	<b>549,451</b>	549,451

In the General Assembly Meeting held on 24 March 2014, the shareholders of the Bank approved the increase of the authorised capital of the Bank to QAR 2.5 billion (USD 687 million) from QAR 2 billion (USD 549 million) in 2013.

## 18. Revenue and expenses from non-banking activities

	Relating to Owners	
	2014	2013
Sales	<b>97,769</b>	85,945
Other income	<b>336</b>	1,024
Revenue from non-banking activities	<b>98,105</b>	86,969
Cost of sales	<b>(72,303)</b>	(61,299)
Other expenses	<b>(20,509)</b>	(20,705)
Finance costs	<b>(3,338)</b>	(2,822)
Non-banking activity expenses	<b>(96,150)</b>	(84,826)
Net income from non-banking activities	<b>1,955</b>	2,143

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 19. Other income

	<b>Relating to Owners</b>	
	<b>2014</b>	<b>2013</b>
Rental income	<b>3,416</b>	3,595
Other income	<b>1,233</b>	305
	<b>4,649</b>	3,900

## 20. Other operating expenses

	<b>Relating to Owners</b>	
	<b>2014</b>	<b>2013</b>
Rent expense	<b>6,272</b>	6,747
Directors' remuneration	<b>3,638</b>	2,428
Professional services	<b>4,508</b>	3,385
Other general and administrative expenses	<b>3,083</b>	6,568
	<b>17,501</b>	19,128

## 21. Basic/diluted earnings per share

The calculation of basic earnings per share is based on the net profit attributable to the Banks' Owners and the number of shares outstanding during the year.

	<b>2014</b>	<b>2013</b>
<b>Basic earnings per share from continuing operations</b>		
Net profit attributable to the owners of the parent	<b>43,518</b>	38,648
Total weighted average number of shares	<b>200,000</b>	171,327
<b>Basic earnings per share (US cents)</b>	<b>21.76</b>	22.56

Since no dilutive impact, basic earnings per share equal the dilutive earning per share.

## 22. Contingent liabilities

The Group had the following contingent liabilities as at 31 December:

	<b>2014</b>	<b>2013</b>
Letters of credit	<b>1,698</b>	-
Letters of guarantee	<b>17,020</b>	8,251
<b>Total contingent liabilities</b>	<b>18,718</b>	8,251

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 23. Commitments

	2014	2013
<b>Commitment for operating lease</b>		
Later than one year	31,093	40,037
No later than one year	6,630	7,290
	<b>37,723</b>	47,327
Investment-related commitments	8,299	-
Commitment for operating & capital expenditure	10,303	6,458
Unutilised credit facilities	33,973	-
	<b>90,298</b>	53,785

## 24. Related parties transactions and balances

Related parties comprise owners with significant influence, directors and senior management personnel of the Group, close family members, entities owned or controlled by them, associates and affiliated companies.

### (a) Due from related parties

	2014	2013
Affiliated entities	754	742

Due from related parties balance is included under other assets (note 12).

### (b) Due to related parties

	2014	2013
Affiliated entities	330	332

Due from related parties balance is included under other liabilities (note 14).

### (c) Compensation of key management personnel

	2014	2013
Salaries and short term benefits of senior management	7,152	8,329
Directors' remuneration	2,991	2,354
Shari'a supervisory board remunerations	140	141
	<b>10,283</b>	10,824

## 25. Zakah

Zakah is directly borne by the owners. The Group does not collect or pay Zakah on behalf of its owners. Zakah payable by the owners is computed by the Group on the basis of the method prescribed by the Shari'a Supervisory Board of the Bank and notified to the owners. Zakah payable by the owners, for the year ended 31 December 2014 was US cents 3.15 for every share held (2013: US cents 4.85).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 26. Significant accounting judgements and estimates

In the preparation of the consolidated financial statements, the management has used its judgements and estimates in determining the amounts recognised therein. The most significant use of judgements and estimates are as follows:

- **Classification of financial instruments**

In the process of applying the Group's accounting policies, management decides on the acquisition of an investment, whether it should be classified as investments at fair value through income statement (held for trading or designated including venture capital investments), carried at amortised cost or fair value through equity. The classification of each investment reflects the management's intention in relation to each investment and is subject to different accounting treatments based on such classification.

- **Fair value of corporate investments that were valued using assumptions that are not based on observable market data.**  
The Group uses significant judgements and estimates to determine fair value of investments valued using assumptions that are not based on observable market data.

Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in note 8.

- **Useful lives of tangible and intangible assets**

The Group estimates the life of tangible and intangible assets with finite lives by taking account of the expected pattern of economic benefit that the Group expects to derive from the asset. This is based on the judgement of the Group after taking into consideration the useful lives of similar assets of comparable entities.

## 27. Financial instruments and related risk management

### Financial instruments definition and classification

Financial instruments comprise of all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks and other financial institutions, financial investments and financing to banks. Financial liabilities include customer balances, due to banks and financial institutions. Financial instruments also include contingent liabilities and commitments included in off financial position items.

Note 2 explains the accounting policies used to recognise and measure the significant financial instruments and their respective income and expenses items.

### Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

Fair value is determined for each investment individually in accordance with the valuation policies adopted by the Group as set out in note 2.11.

### Risk management

Risk is an inherent part of the Group's business activities. The Group's risk management and governance framework is intended to provide progressive controls and continuous management of the major risks associated with the Group's activities. Risks are managed by a process of identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Group's continuing profitability. Each business unit within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to investment and credit risk, liquidity risk, market risk and operational risks, as well as concentration risk and other external business risks. The Group's ability to properly identify measure, monitor and report risk is a core element of the Group's operating philosophy and profitability.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 27. Financial instruments and related risk management (continued)

#### Risk framework and governance

The Group's risk management process is an integral part of the organisation's culture and is embedded into all of its practices and processes. The Board of Directors (the Board), the two Board's subcommittees (Executive Committee and Audit, Risk and Compliance Committee), senior management and line managers all contribute to the effective, Group wide, management of risk.

The Board has overall responsibility for establishing the Group's risk culture and ensuring that an effective risk management framework is in place. The Board approves and periodically reviews the Group's risk management policies and strategies.

The Audit, Risk and Compliance Committee is tasked with implementing risk management policies, guidelines and limits as well as ensuring that monitoring processes are in place. The Risk Management Department provides independent monitoring to both the Board and the Audit, Risk and Compliance Committee whilst also working closely with the business units which ultimately own and manage the risks.

#### Investment risk

Private equities investment risks are identified and assessed via extensive due diligence activities conducted by the respective investment departments. The Group's investments in private equity are by definition in illiquid markets, frequently in emerging markets. Such investments cannot generally be hedged or liquidated easily. Consequently, the Group seeks to mitigate its risks via more direct means. Post-acquisition risk management is rigorously exercised, mainly via board representation within the investee company, during the life of the private equity transaction. Periodic reviews of investments are undertaken and presented to the Investment Committee for review. Concerns over risks and performance are addressed via the investment area responsible for managing the investment under the oversight of the Investment Committee.

#### Credit risk

Credit risk is the risk that the Group will incur a loss of principal or profit earned because its customers, clients or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, related parties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The table below shows the maximum exposure to credit risk for the components of the financial position.

	2014	2013
Balances with banks	<b>29,815</b>	112,520
Placements with financial institutions	<b>214,989</b>	111,812
Financing assets	<b>228,969</b>	83,007
Accounts receivable	<b>36,724</b>	33,120
Other assets	<b>24,475</b>	25,506
Investments carried at amortised cost	<b>205,555</b>	74,828
	<b>740,527</b>	440,793

#### Risk

All financial assets, other than balances with banks and placement with financial institutions, have no external credit rating. The credit quality analysis of balances with banks and placements with financial institutions is summarised below:

	2014	2013
AAA to A-	<b>216,640</b>	196,456
BBB+ to B-	<b>394</b>	99
Unrated	<b>27,770</b>	27,777

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 27. Financial instruments and related risk management (continued)

### Credit risk (continued)

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. At 31 December 2014 the Group had balances with 2 counterparty banks (2013: 1 bank) with aggregated amounts above USD 70 million. The total aggregate amount of these deposits was USD 189.4 million (2013: USD 88.6 million).

The analysis by geographical region of the Group's financial assets having credit risk is as follows:

	2014	2013
Qatar	<b>431,707</b>	143,995
United Arab Emirates	<b>179,145</b>	117,374
Asia & Middle East	<b>56,393</b>	53,561
North America	<b>370</b>	88,669
Europe & Others	<b>72,912</b>	37,194
	<b>740,527</b>	440,793

The distribution of assets items by industry sector is as follows:

	2014	2013
Financial services	<b>362,837</b>	296,351
Industrial	<b>5,268</b>	24,006
Real estate and construction	<b>153,076</b>	28,201
Technology	<b>3,197</b>	3,375
Oil & gas	<b>51,914</b>	51,914
Others	<b>164,235</b>	36,946
	<b>740,527</b>	440,793

### Liquidity risk and funding management

Liquidity risk is defined as the risk that the Group will not have sufficient funds available to meet its financial liabilities as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Treasury Department receives information from the Financial Control Department regarding the liquidity profile of the Bank's financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then maintains a portfolio of short-term liquid assets to ensure that sufficient liquidity is maintained within the Bank as a whole.

All liquidity policies and procedures are subject to review and approval by Assets-Liabilities Management Committee (ALCO) which also regularly receives reports relating to the Bank's liquidity position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 27. Financial instruments and related risk management (continued)

#### Liquidity risk and funding management (continued)

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled.

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Un dated	Total
<b>At 31 December 2014</b>							
<b>Assets</b>							
Cash and cash equivalents	31,159	214,995	-	-	-	-	246,154
Investments carried at amortised cost	-	-	-	-	205,555	-	205,555
Financing assets	650	17,312	1,031	31,936	178,040	-	228,969
Accounts receivable	-	15,131	4,260	17,243	90	-	36,724
Corporate investments	-	-	-	106,032	299,728	-	405,760
Investments in real estate	-	18,396	-	-	-	56,637	75,033
Other assets	-	3,384	1,763	2,434	12,483	4,411	24,475
<b>Total financial assets</b>	<b>31,809</b>	<b>269,218</b>	<b>7,054</b>	<b>157,645</b>	<b>695,896</b>	<b>61,048</b>	<b>1,222,670</b>
<b>Liabilities and equity of unrestricted investment account holders</b>							
Due to banks	-	33,066	8,830	11,908	61,423	-	115,227
Customers' current accounts	7,245	-	-	-	-	-	7,245
Other liabilities	5,133	19,536	20,737	2,541	970	4,416	53,333
Equity of unrestricted investment account holders	-	455,071	39,816	2,759	1,396	-	499,042
<b>Total financial liabilities</b>	<b>12,378</b>	<b>507,673</b>	<b>69,383</b>	<b>17,208</b>	<b>63,789</b>	<b>4,416</b>	<b>674,847</b>
<b>Net liquidity gap</b>	<b>19,431</b>	<b>(238,455)</b>	<b>(62,329)</b>	<b>140,437</b>	<b>632,107</b>	<b>56,632</b>	<b>547,823</b>
<b>Net cumulative gap</b>	<b>19,431</b>	<b>(219,024)</b>	<b>(281,353)</b>	<b>(140,916)</b>	<b>491,191</b>		
 <b>At 31 December 2013</b>							
<b>Assets</b>							
Cash and cash equivalents	110,595	111,812	-	2,650	-	-	225,057
Investments carried at amortised cost	-	-	-	-	74,828	-	74,828
Financing assets	-	1,594	8,300	-	73,113	-	83,007
Accounts receivable	-	16,348	4,750	11,337	685	-	33,120
Corporate investments	-	-	-	100,693	177,596	-	278,289
Investments in real estate	-	-	-	-	17,699	43,836	61,535
Other assets	-	5,451	2,782	8,507	8,497	269	25,506
<b>Total financial assets</b>	<b>110,595</b>	<b>135,205</b>	<b>15,832</b>	<b>123,187</b>	<b>352,418</b>	<b>44,105</b>	<b>781,342</b>
<b>Liabilities and equity of unrestricted investment account holders</b>							
Due to banks	-	32,513	7,223	3,661	48,080	-	91,477
Customers' current account	6,436	-	9,375	-	-	-	15,811
Other liabilities	3,683	28,739	8,443	6,061	2,649	4,666	54,241
Equity of unrestricted investment account holders	-	68,271	-	-	-	-	68,271
<b>Total financial liabilities</b>	<b>10,119</b>	<b>129,523</b>	<b>25,041</b>	<b>9,722</b>	<b>50,729</b>	<b>4,666</b>	<b>229,800</b>
<b>Net liquidity gap</b>	<b>100,476</b>	<b>5,682</b>	<b>(9,209)</b>	<b>113,465</b>	<b>301,689</b>	<b>39,439</b>	<b>551,542</b>
<b>Net cumulative gap</b>	<b>100,476</b>	<b>106,158</b>	<b>96,949</b>	<b>210,414</b>	<b>512,103</b>		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 27. Financial instruments and related risk management (continued)

### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to adverse changes in market variables such as profit rates, foreign exchange rates, equity prices and commodities. The Group classifies exposures to market risk into either listed or non-listed corporate investments.

#### (a) Listed corporate investments

The Group has certain exposure to equity price risk mainly due to some corporate investments being listed in stock exchanges. At 31 December 2014, if equity prices at that date had been 5% higher/lower with all other variables held constant, net income for the year would have been USD 3,154 (2013: USD 4,159 thousand) higher/lower and fair value reserve would have been USD 1,390 thousand (2013: USD 235 thousand) higher/lower.

#### (b) Non-listed corporate investments

Sensitivities on non-listed corporate investments are disclosed in note 8.

### Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of the financial instruments. The Group's current exposure to profit rate risk is limited to the following:

- The Group's placement with the financial institutions (classified as 'Placements with financial institutions');
- The Group's investment portfolio of Sukuk (classified as "Investments at amortised cost");
- The Group's investments in murabaha (classified as "Financing assets"); and
- Amounts borrowed by the Group from financial institutions (classified as "Due to banks").

The following table demonstrates the sensitivity to a 100 basis point (bp) change in profit rates, with all other variables held constant. The effect of decreases in profit rate is expected to be equal and opposite to the effect of the increases shown.

	2014	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	<b>214,989</b>	100	2,150
Investments carried at amortised cost	<b>205,555</b>	100	2,056
Financing assets	<b>228,969</b>	100	2,290
<b>Liabilities and equity of unrestricted investment account holders</b>			
Customers' current accounts	7,245	100	(72)
Due to banks	115,227	100	(1,152)
Equity of unrestricted investment account holders	<b>499,042</b>	100	(4,990)
			<b>282</b>
	2013	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	111,812	100	1,118
Investments carried at amortised cost	74,828	100	748
Financing assets	83,007	100	830
<b>Liabilities and equity of unrestricted investment account holders</b>			
Customers' current accounts	15,811	100	(158)
Due to banks	91,477	100	(915)
Equity of unrestricted investment account holders	68,271	100	(683)
			<b>940</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 27. Financial instruments and related risk management (continued)

### Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to adverse changes in foreign exchange rates. The Board has set limits on positions by currency. Positions are monitored regularly to ensure that positions are maintained within established limits.

The table below indicates the currencies that are pegged to the US Dollars and, hence the foreign exchange risk for the Group in respect of these currencies is minimal.

Currency	Exposure (USD equivalent)	
	2014	2013
QAR	(153,415)	91,970
AED	95,798	133,813
SAR	-	2

The table below shows the impact of a 5% movement in the currency rate, for other than those pegged to the United States Dollars, against the United States Dollars, with all other variables held constant on the consolidated income statement and the consolidated statement of changes in Owners' equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

Currency	Exposure (USD equivalent)		Effect on net profit (+/-)	
	2014	2013	2014	2013
GBP	104,344	26,436	5,217	1,322
EUR	1,862	1,770	93	89
JOD	208	166	10	8
TRY	155,000	109,000	7,750	5,450
KWD	9	9	0.45	0.45

### Commodities price risk

The Group does not currently have commodities portfolios; hence it has no exposure to commodity price risks.

### Operational risk

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial and reputation loss, and legal and regulatory consequences. The Group manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance. The Risk Management Department facilitates the management of operational risk by way of assisting in the identification of, monitoring and managing of operational risk in the Bank. The Bank has Risk and Control Assessments and Key Risk Indicators in place for each department.

### Concentration risk

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include guidelines to focus on maintaining a diversified portfolio. Identified concentrations of investment and funding risks are controlled and managed accordingly.

As at 31 December 2014, QFB had 5 customers which had more than 5% of total unrestricted investment account holders (2013: 2 customers) and 6 customers which had more than 5% of total murabaha receivables (2013: 3 customers).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 27. Financial instruments and related risk management (continued)

### Capital management

The primary objectives of the Group's capital management are to ensure that the Group complies with regulatory capital requirements and that the Group maintains healthy capital ratios in order to support its business and to maximise Owners' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to Owners, return capital to Owners or issue new capital. The QFCRA sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the QFCRA requires the Group to maintain a positive prescribed ratio of total capital to total risk-weighted assets.

The Group's capital resources are divided into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes the fair value reserve relating to unrealised gains on equity instruments classified as investments at fair value through equity and currency translation reserve.

Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-financial position exposures.

The Group's policy is at all times to meet or exceed the capital requirements determined by the QFCRA. There have been no material changes in the Group's management of capital during the period. The Group's capital adequacy ratio, calculated in accordance with the capital adequacy guidelines issued by the QFCRA, is as follows:

	2014	2013
<b>Total risk weighted assets</b>	<b>2,491,099</b>	1,621,216
Share capital	549,451	549,451
Retained earnings	44,592	39,987
Reserves	(866)	4,635
Non-controlling interest	14,264	13,902
Intangible assets	(9,448)	(9,306)
<b>Total qualifying capital and reserve funds</b>	<b>597,993</b>	598,669
<b>Total capital resources expressed as a percentage of total risk weighted assets</b>	<b>24.01%</b>	36.93%

## 28. Segment information

For management purposes, the Group is organised into three business segments:

### Alternative Investments

The Group's alternative investments business segment includes direct investment in private equity business and real estate asset classes. Alternative investments business is primarily responsible to acquire large or significant stakes, with board representation, in well managed companies and assets that have strong, established market positions and the potential to develop and expand. The team works as partners with the management of investee companies to unlock value through enhancing operational and financial performance in order to maximize returns. This segment seeks investments opportunities in growth sectors within the GCC and MENA region, as well as Turkey and United Kingdom, but remains opportunistic to attractive investment propositions outside of the geographies identified. During 2014 and as a result of a change in the strategy of the Bank, the Private Equity and Strategic Investments businesses were combined under the Alternative Investments segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 28. Segment information (continued)

#### Private Banking and Wealth Management

The Group's private banking and wealth business targets qualified High Net Worth clients with Shariah-compliant up-market banking products and services that address personal, business and wealth requirements. This includes providing investment/ deposit accounts, plain vanilla and specialised financing, treasury and investment management, advisory, credit card, ancillary and concierge services.

#### Other

Other comprises the central management and support functions of the Group.

##### (a) Information about reportable segment assets and liabilities

The Group does not monitor segments on the basis of assets and liabilities and do not possess detailed information for those. Therefore, disclosure of segment assets and liabilities are not presented in these consolidated financial statements.

##### (b) Information about reportable profit and loss

Below is the distribution of the net income by segment in which the transaction has been recognised during the year:

	Alternative Investments	Private Banking and Wealth Management	Other	Total
<b>At 31 December 2014</b>				
<b>Income</b>				
Income from assets attributable to unrestricted investment accounts	-	<b>8,585</b>	-	<b>8,585</b>
Less: return on unrestricted investment accounts and impairment provisions	-	<b>(7,526)</b>	-	<b>(7,526)</b>
Group's share of income from unrestricted investment accounts as Mudarib	-	<b>1,059</b>	-	<b>1,059</b>
Revenue from non-banking activities	<b>98,105</b>	-	-	<b>98,105</b>
Gain on re-measurement of investments at fair value through statement of net income	<b>65,840</b>	-	-	<b>65,840</b>
Dividends income	<b>5,883</b>	-	-	<b>5,883</b>
Profit on investments carried at amortised cost	-	<b>1,089</b>	-	<b>1,089</b>
Gain on disposal of corporate investments	<b>2,947</b>	-	-	<b>2,947</b>
Income from financing activities	<b>6,839</b>	<b>378</b>	-	<b>7,217</b>
Other income	<b>1,151</b>	<b>83</b>	<b>3,415</b>	<b>4,649</b>
<b>Total income</b>	<b>180,765</b>	<b>2,609</b>	<b>3,415</b>	<b>186,789</b>
<b>Expenses</b>				
Non-banking activity expenses	<b>96,150</b>	-	-	<b>96,150</b>
Staff costs	<b>7,725</b>	<b>4,678</b>	<b>12,832</b>	<b>25,235</b>
Other operating expenses	-	-	<b>17,501</b>	<b>17,501</b>
Financing costs	<b>1,828</b>	-	-	<b>1,828</b>
Depreciation and amortization expenses	-	-	<b>2,352</b>	<b>2,352</b>
<b>Total expenses</b>	<b>105,703</b>	<b>4,678</b>	<b>32,685</b>	<b>143,066</b>
Net income (loss) before tax	<b>75,062</b>	<b>(2,069)</b>	<b>(29,270)</b>	<b>43,723</b>
Income tax	-	-	-	-
<b>Net income (loss) for the year</b>	<b>75,062</b>	<b>(2,069)</b>	<b>(29,270)</b>	<b>43,723</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 28. Segment information (continued)

Below is the distribution of the net income by segment in which the transaction has been recognised during the period:

	Alternative Investments	Private Banking and Wealth Management	Other	Total
<b>At 31 December 2013</b>				
<b>Income</b>				
Revenue from non-banking activities	86,969	-	-	86,969
Gain on re-measurement of investments at fair value through statement of net income	66,568	-	-	66,568
Dividends income	288	-	-	288
Profit on investments carried at amortised cost	-	2,456	-	2,456
Gain on disposal of investments carried at amortised cost	-	1,132	-	1,132
Gain on disposal of corporate investments	7,628	-	314	7,942
Income from financing activities	6,865	21	-	6,886
Other income	276	105	3,519	3,900
<b>Total income</b>	<b>168,594</b>	<b>3,714</b>	<b>3,833</b>	<b>176,141</b>
<b>Expenses</b>				
Non-banking activity expenses	84,826	-	-	84,826
Staff costs	8,944	1,806	20,041	30,791
Other operating expenses	-	-	19,128	19,128
Financing costs	55	-	-	55
Depreciation and amortization expenses	-	-	2,263	2,263
<b>Total expenses</b>	<b>93,825</b>	<b>1,806</b>	<b>41,432</b>	<b>137,063</b>
<b>Net income (loss) before tax</b>	<b>74,769</b>	<b>1,908</b>	<b>(37,599)</b>	<b>39,078</b>
Income tax	-	-	-	-
<b>Net income(loss) for the year</b>	<b>74,769</b>	<b>1,908</b>	<b>(37,599)</b>	<b>39,078</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

### 28. Segment information (continued)

#### Geographical segment information

The Group currently operates in two geographic markets namely Qatar and Asia/Middle East.

The following tables show the distribution of the Group's net income by geographical segments, based on the location in which the transactions are recorded during the year.

	Qatar	Asia/ Middle East	Total
<b>31 December 2014</b>			
<b>Income</b>			
Income from assets attributable to unrestricted investment accounts	<b>5,375</b>	<b>3,210</b>	<b>8,585</b>
Less: return on unrestricted investment accounts and impairment provisions	<b>(7,526)</b>	-	<b>(7,526)</b>
Group's share of income from unrestricted investment accounts as Mudarib	(2,151)	3,210	1,059
Revenue from non-banking activities	2,335	95,770	98,105
Gain on re-measurement of investments at fair value through income statement	2,900	62,940	65,840
Dividends income	404	5,479	5,883
Profit on investments carried at amortised cost	181	908	1,089
Gain on disposal of corporate investments	-	2,947	2,947
Income from financing activities	355	6,862	7,217
Other income	3,498	1,151	4,649
<b>Total income</b>	<b>7,522</b>	<b>179,267</b>	<b>186,789</b>
<b>Expenses</b>			
Non-banking activity expenses	3,820	92,330	96,150
Staff costs	25,235	-	25,235
Other operating expenses	17,501	-	17,501
Financing costs	-	1,828	1,828
Depreciation and amortisation expenses	2,352	-	2,352
<b>Total expenses</b>	<b>48,908</b>	<b>94,158</b>	<b>143,066</b>
<b>Income (loss) before tax</b>	<b>(41,386)</b>	<b>85,109</b>	<b>43,723</b>
Income tax	-	-	-
<b>Net income (loss) for the year</b>	<b>(41,386)</b>	<b>85,109</b>	<b>43,723</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

(All amounts are expressed in United States Dollars thousands)

## 28. Segment information (continued)

### Geographical segment information (continued)

	Qatar	Asia/ Middle East	Total
<b>31 December 2013</b>			
<b>Income</b>			
Revenue from non-banking activities	551	86,418	86,969
Gain on re-measurement of investments at fair value through income statement	-	66,568	66,568
Dividends income	288	-	288
Profit on investments carried at amortised cost	286	2,170	2,456
Gain on disposal of investment carried at amortised cost	-	1,132	1,132
Gain on disposal of corporate investments	-	7,942	7,942
Income from financing activities	242	6,644	6,886
Other income	3,782	118	3,900
<b>Total income</b>	<b>5,149</b>	<b>170,992</b>	<b>176,141</b>
<b>Expenses</b>			
Non-banking activity expenses	954	83,872	84,826
Staff costs	30,791	-	30,791
Other operating expenses	19,128	-	19,128
Financing costs	-	55	55
Depreciation and amortisation expenses	2,263	-	2,263
<b>Total expenses</b>	<b>53,136</b>	<b>83,927</b>	<b>137,063</b>
<b>Income (loss) before tax</b>	<b>(47,987)</b>	<b>87,065</b>	<b>39,078</b>
Income tax	-	-	-
<b>Net income (loss) for the year</b>	<b>(47,987)</b>	<b>87,065</b>	<b>39,078</b>

## 29. Dividends

In its Board of Directors meeting held on 12 February 2014, the Bank's Board of Directors proposed cash dividends of USD 38.9 million (2013: USD 30.2 million) which represents 8% (2013: 7%) of the paid up capital of USD 486 million (2013: 431 million). In its General Assembly Meeting held on 24 March 2014, the shareholders of the Bank approved the aforementioned dividend amount.

## 30. Comparative figures

Where necessary, corresponding figures are reclassified to conform to current year presentation. During the year, certain comparative amounts in the related segment reporting disclosure and in presentation of consolidated statement of financial position were reclassified to maintain comparability.