

**Doha Bank Q.S.C.**  
**Doha - Qatar**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2014**

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## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOHA BANK Q.S.C.**

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Doha Bank Q.S.C. (the 'Bank') and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Board of Directors' responsibility for the consolidated financial statements**

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

### **Auditors' responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

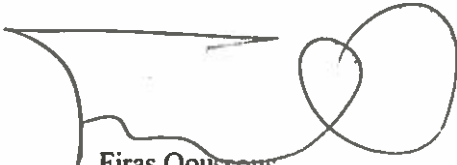
### **Opinion**

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

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOHA BANK Q.S.C.  
(CONTINUED)**

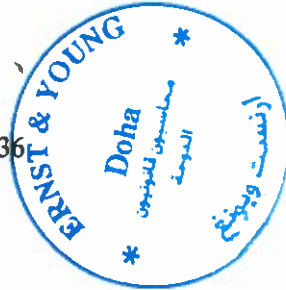
**Report on other legal and regulatory matters**

We have obtained all the information and explanations which we considered necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors is in agreement with the books and records of the Group and that we are not aware of any contravention by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank Law No.13 of 2012 and of the Qatar Commercial Companies Law No. 5 of 2002 during the financial year that would materially affect its activities or its financial position.



Firas Qoussous  
Ernst & Young  
Qatar Auditors' Registry No. 236

Date: 20 January 2015  
Doha



Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 QAR'000	2013 QAR'000
<b>ASSETS</b>			
Cash and balances with central banks	8	3,706,541	3,435,761
Due from banks	9	12,246,782	9,180,420
Loans and advances to customers	10	48,558,521	41,109,116
Investment securities	11	9,452,828	11,703,577
Investment in an associate	12	9,244	9,382
Property, furniture and equipment	13	761,011	759,471
Other assets	14	782,635	772,097
<b>TOTAL ASSETS</b>		<b>75,517,562</b>	<b>66,969,824</b>
<b>LIABILITIES</b>			
Due to banks	15	12,794,735	7,719,781
Customer deposits	16	45,946,575	42,522,489
Debt securities	17	2,582,478	2,575,831
Other borrowings	18	727,681	455,188
Other liabilities	19	2,173,340	2,425,632
<b>TOTAL LIABILITIES</b>		<b>64,224,809</b>	<b>55,698,921</b>
<b>EQUITY</b>			
Share capital	20 (a)	2,583,723	2,583,723
Legal reserve	20 (b)	4,313,177	4,311,133
Risk reserve	20 (c)	1,140,000	960,650
Fair value reserve	20 (d)	(57,574)	(43,355)
Foreign currency translation reserve	20 (e)	(10,595)	(4,647)
Proposed dividend	20 (f)	1,033,489	1,162,675
Retained earnings		290,533	300,724
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>		<b>9,292,753</b>	<b>9,270,903</b>
Instrument eligible as additional capital	20 (g)	2,000,000	2,000,000
<b>TOTAL EQUITY</b>		<b>11,292,753</b>	<b>11,270,903</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>75,517,562</b>	<b>66,969,824</b>

These consolidated financial statements were approved by the Board of Directors on 20 January 2015 and were signed on its behalf by:



Fahad Bin Mohammad Bin Jabor Al Thani  
Chairman



Abdul Rahman Bin Mohammad Bin Jabor Al Thani  
Managing Director



Dr. Raghavan Seetharaman  
Group Chief Executive Officer

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Doha Bank Q.S.C.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Notes	2014 QAR'000	2013 QAR'000
Interest income	21	2,507,235	2,394,462
Interest expense	22	(565,953)	(572,211)
<b>Net interest income</b>		<b>1,941,282</b>	<b>1,822,251</b>
Fee and commission income	23	522,264	409,153
Fee and commission expense	24	(6,222)	(3,806)
<b>Net fee and commission income</b>		<b>516,042</b>	<b>405,347</b>
Gross written premium		107,081	107,777
Premium ceded		(49,169)	(56,820)
Net claims paid		(36,361)	(33,591)
<b>Net income from insurance activities</b>		<b>21,551</b>	<b>17,366</b>
Foreign exchange gain	25	97,145	88,654
Income from investment securities	26	221,573	149,094
Other operating income	27	62,033	58,453
		<b>380,751</b>	<b>296,201</b>
<b>Net operating income</b>		<b>2,859,626</b>	<b>2,541,165</b>
Staff costs	28	(523,489)	(458,213)
Depreciation	13	(83,575)	(81,873)
Impairment loss on investment securities	11	(30,174)	(10,769)
Net impairment loss on loans and advances to customers	10	(439,149)	(318,158)
Other expenses	29	(413,043)	(354,536)
		<b>(1,489,430)</b>	<b>(1,223,549)</b>
Share of results of the associate	12	42	143
<b>Profit for the year before tax</b>		<b>1,370,238</b>	<b>1,317,759</b>
Tax expense	30	(11,580)	(5,107)
<b>Profit for the year</b>		<b>1,358,658</b>	<b>1,312,652</b>
<b>Earnings per share</b>			
Basic earnings per share (QAR per share)	31	4.79	5.29
Diluted earnings per share (QAR per share)	31	4.79	5.29

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	<i>Notes</i>	<b>2014 QAR'000</b>	<b>2013 QAR'000</b>
<b>Profit for the year</b>		<b>1,358,658</b>	<b>1,312,652</b>
<b>Other comprehensive income:</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency translation differences for foreign operations		(5,948)	(1,180)
Available-for-sale investment securities:			
Net change in fair value	20	65,816	(78,357)
Reclassified during the year to the consolidated income statement	20	<u>(80,035)</u>	<u>(91,854)</u>
<b>Net other comprehensive loss to be reclassified to profit or loss in subsequent periods</b>		<u>(20,167)</u>	<u>(171,391)</u>
<i>Items not to be reclassified to profit or loss in subsequent periods</i>		<u>-</u>	<u>-</u>
<b>Other comprehensive loss</b>		<u>(20,167)</u>	<u>(171,391)</u>
<b>Total comprehensive income for the year</b>		<u><b>1,338,491</b></u>	<u><b>1,141,261</b></u>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Equity attributable to shareholders of the Bank

	Share capital QAR'000	Legal reserve QAR'000	Risk reserve QAR'000	Fair value reserve QAR'000	Foreign currency translation reserve QAR'000	Proposed dividend QAR'000	Retained earnings QAR'000	Total QAR'000	Instrument eligible as additional capital QAR'000	Total equity QAR'000
Balance as at 1 January 2013	2,066,978	3,283,600	773,650	126,856	(3,467)	930,140	373,408	7,551,165	-	7,551,165
Total comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	1,312,652	1,312,652	-	1,312,652
Other comprehensive income	-	-	-	(170,211)	(1,180)	-	-	(171,391)	-	(171,391)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(170,211)</b>	<b>(1,180)</b>	<b>-</b>	<b>1,312,652</b>	<b>1,141,261</b>	<b>-</b>	<b>1,141,261</b>
Transfer to legal reserve	-	2,845	-	-	-	-	(2,845)	-	-	-
Transfer to risk reserve	-	-	187,000	-	-	-	(187,000)	-	-	-
Contribution to social and sports fund	-	-	-	-	-	-	(32,816)	(32,816)	-	(32,816)
Issuance of Instrument eligible as additional capital (Note 20 g)	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Transactions with equity holders, recognised directly in equity										
Dividends paid (Note 20 f)	-	-	-	-	-	(930,140)	-	(930,140)	-	(930,140)
Proposed dividends (Note 20 f)	-	-	-	-	-	1,162,675	(1,162,675)	-	-	-
Increase in share capital	516,745	1,024,688	-	-	-	-	-	1,541,433	-	1,541,433
<b>Total contributions by and distributions to equity holders</b>	<b>516,745</b>	<b>1,024,688</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>232,535</b>	<b>(1,162,675)</b>	<b>611,293</b>	<b>-</b>	<b>611,293</b>
Balance as at 31 December 2013	2,583,723	4,311,133	960,650	(43,355)	(4,647)	1,162,675	300,724	9,270,903	2,000,000	11,270,903

The attached notes 1 to 37 form an integral part of these consolidated financial statements.



Doha Bank Q.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2014

	<i>Equity attributable to shareholders of the Bank</i>							<i>Instrument eligible as additional capital</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Risk reserve</i>	<i>Fair value reserve</i>	<i>Foreign currency translation reserve</i>	<i>Proposed dividend</i>	<i>Retained earnings</i>			
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	
Balance as at 1 January 2014	2,583,723	4,311,133	960,650	(43,355)	(4,647)	1,162,675	300,724	9,270,903	2,000,000	11,270,903
Total comprehensive income for the year:										
Profit for the year	-	-	-	-	-	-	1,358,658	1,358,658	-	1,358,658
Other comprehensive income	-	-	-	(14,219)	(5,948)	-	-	(20,167)	-	(20,167)
<b>Total comprehensive income for the year</b>	-	-	-	(14,219)	(5,948)	-	1,358,658	1,338,491	-	1,338,491
Transfer to legal reserve	-	2,044	-	-	-	-	(2,044)	-	-	-
Transfer to risk reserve	-	-	179,350	-	-	-	(179,350)	-	-	-
Interest on Tier 1 Capital notes	-	-	-	-	-	-	(120,000)	(120,000)	-	(120,000)
Contribution to social and sports fund	-	-	-	-	-	-	(33,966)	(33,966)	-	(33,966)
Transactions with equity holders, recognised directly in equity:										
Dividends paid (Note 20 f)	-	-	-	-	-	(1,162,675)	-	(1,162,675)	-	(1,162,675)
Proposed dividends (Note 20 f)	-	-	-	-	-	1,033,489	(1,033,489)	-	-	-
<b>Total contributions by and distributions to equity holders</b>	-	-	-	-	-	(129,186)	(1,033,489)	(1,162,675)	-	(1,162,675)
<b>Balance as at 31 December 2014</b>	<b>2,583,723</b>	<b>4,313,177</b>	<b>1,140,000</b>	<b>(57,574)</b>	<b>(10,595)</b>	<b>1,033,489</b>	<b>290,533</b>	<b>9,292,753</b>	<b>2,000,000</b>	<b>11,292,753</b>

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## Doha Bank Q.S.C.

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Notes	2014 QAR'000	2013 QAR'000
<b>Cash flows from operating activities</b>			
Profit for the year before tax		1,370,238	1,317,759
<i>Adjustments for:</i>			
Net impairment loss on loans and advances to customers	10	439,149	318,158
Impairment loss on investment securities	11	30,174	10,769
Depreciation	13	83,575	81,873
Amortisation of financing cost		6,647	3,863
Net gain on sale of available-for-sale investment securities	26	(221,573)	(122,136)
Share of results of the associates	12	(42)	(143)
		<u>1,708,168</u>	<u>1,610,143</u>
<i>Profit before changes in operating assets and liabilities</i>			
Change in due from banks		(1,536,448)	838,159
Change in loans and advances to customers		(8,709,320)	(7,440,592)
Change in other assets		(10,538)	(105,801)
Change in due to banks		5,074,954	(996,698)
Change in customer deposits		3,424,086	8,121,406
Change in other liabilities		(721,257)	243,546
Social and sports fund contribution		(32,816)	(32,624)
Income tax paid		(11,580)	(5,522)
		<u>(814,751)</u>	<u>2,232,017</u>
<b>Net cash (used in) from operating activities</b>			
<b>Cash flows from investing activities</b>			
Acquisition of investment securities		(8,344,389)	(8,595,582)
Proceeds from sale of investment securities		10,772,456	6,412,994
Acquisition of property and equipment	13	(85,160)	(46,704)
Proceeds from the sale of property and equipment		45	182
		<u>2,342,952</u>	<u>(2,229,110)</u>
<b>Net cash from (used in) investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds from rights issue	20	-	1,541,433
Proceeds from issuance of instrument eligible as additional capital	20	-	2,000,000
Proceeds from other borrowings	18	272,493	455,188
Dividends paid		-	(930,140)
		<u>272,493</u>	<u>3,066,481</u>
<b>Net cash from financing activities</b>			
<b>Net increase in cash and cash equivalents</b>			
Cash and cash equivalents as at 1 January		<u>8,298,379</u>	<u>5,228,991</u>
Cash and cash equivalents at 31 December	33	<u>10,099,073</u>	<u>8,298,379</u>
Interest received		2,586,596	2,410,718
Interest paid		554,607	567,486
Dividends received		36,224	26,958

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## Doha Bank Q.S.C.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

#### 1 REPORTING ENTITY

Doha Bank Q.S.C. ("Doha Bank" or the "Bank") is an entity domiciled in the State of Qatar and was incorporated on 15 March 1979 as a Joint Stock Company under Emiri Decree No. 51 of 1978. The commercial registration of the Bank is 7115. The address of the Bank's registered office is Doha Bank Tower, Corniche Street, West Bay, P.O. Box 3818, Doha, Qatar.

Doha Bank is engaged in conventional banking activities and operates through its head office in Doha and 31 local branches, four overseas branches in the United Arab Emirates (Dubai & Abu Dhabi), State of Kuwait and India and representative offices in United Kingdom, Singapore, Turkey, China, Japan, South Korea, Germany Australia, Hong Kong, Sharjah (UAE) and Canada. In addition, the Bank owns 100% of the issued share capital of Doha Bank Assurance Company L.L.C., an insurance company registered under Qatar Financial Centre, and Doha Finance Limited, a special purpose vehicle set up for the issuance of debt. The consolidated financial statements for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as "the Group").

The principal subsidiaries of the Group are as follows:

<i>Company's name</i>	<i>Country of incorporation</i>	<i>Company's capital (QAR'000)</i>	<i>Company's activities</i>	<i>Percentage of ownership 2014</i>	<i>Percentage of ownership 2013</i>
Doha Bank Assurance Company L.L.C.	Qatar	100,000	General Insurance	100%	100%
Doha Finance Limited	Cayman Island	182	Debt Issuance	100%	100%

The consolidated financial statements for the year ended 31 December 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 20 January 2015.

#### 2 BASIS OF PREPARATION

##### Statement of compliance

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

##### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments, financial assets held for trading and available-for-sale financial assets that have been measured at fair value. In addition, the carrying values of recognised assets that are hedged items in fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risk that are being hedged.

##### Functional and presentation currency

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

## 2 BASIS OF PREPARATION (continued)

### Use of estimates and judgements

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

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

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

### New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS recently issued by the IASB and International Financial Reporting Interpretations Committee ("IFRIC") interpretations effective as of 1 January 2014 :

#### Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27

These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact to the Group, since none of the entities in the Group qualifies to be an investment entity under IFRS 10.

#### Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments have no impact on the Group.

#### Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments have no impact to the Group as the Group has not novated its derivatives during the current or prior periods.

#### Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units ("CGUs") for which an impairment loss has been recognised or reversed during the period. The Group early adopted these disclosure requirements in the annual consolidated financial statements for the year ended 31 December 2013.

#### Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<i>Topic</i>	<i>Effective date</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to IFRS 11 Joint Arrangement: Accounting for acquisition of interest	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 27: Equity method in separate financial statements	1 January 2016

The Group is assessing the impact of implementation of these standards.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries ("the Group") as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and consolidated statement of other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. These consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**Associates**

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control over those policies.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost including transaction costs directly related to acquisition of investment in associate.

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

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

The Group's share of the results of associates is based on financial statements and adjusted to conform to the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee. Intergroup losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)****Associates (continued)**

The consolidated financial statements of the Group include the associate stated below:

Company name	Country of incorporation and operation	Ownership interest %		Principal activity
		2014	2013	
Doha Brokerage and Financial Services Limited	India	44.02%	44.02%	Brokerage and assets management

**Foreign currency****Foreign currency transactions and balances**

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

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

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

**Foreign operations**

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in shareholders' equity as 'foreign currency translation reserve'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to 'Other comprehensive income'. When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

**Financial assets and financial liabilities****Recognition and initial measurement**

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Classification**

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

#### *Financial assets*

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

- loans and receivables;
- held to maturity;
- available-for-sale; or
- fair value through profit of loss

#### *Financial liabilities*

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

#### **Derecognition**

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

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

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

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

#### **Offsetting**

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

#### **Measurement principles**

##### **Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For the financial instruments that are not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value provided by the fund manager.

The foreign currency forward contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. All contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own credit risk.

The fair value of unquoted derivatives is determined by discounted cash flows.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained in note 5.

#### **Identification and measurement of impairment**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

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

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

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



**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Identification and measurement of impairment (continued)**

In assessing collective impairment, the Group uses historical experience and credit rating in addition to the assessed inherent losses which are reflected by the economic and credit conditions for each identified portfolio.

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

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

Impairment losses recognised in the consolidated income statement on equity instruments are not revised through the consolidated income statement. In case of debt instruments, if in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in consolidated income statement, the impairment loss is reversed through the consolidated income statement.

**Cash and cash equivalents**

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

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

**Due from banks and loans and advances to customers**

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

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

**Investment securities**

Subsequent to initial recognition investment securities are accounted for depending on their classification as either held-to-maturity, fair value through profit or loss or available-for-sale.

*Held-to-maturity financial assets*

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

*Fair value through profit or loss*

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

*Available-for-sale financial assets*

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

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

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Investment securities (continued)**

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, where upon the cumulative gains and losses previously recognised in consolidated statement of comprehensive income are reclassified to consolidated income statement.

**Derivatives**

*Derivatives held for risk management purposes and hedge accounting*

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

*Fair value hedges*

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

*Other non-trading derivatives*

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in consolidated income statement.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Derivatives**

*Derivatives held for trading purposes*

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

**Property and equipment**

**Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and is recognised in other income/other expenses in profit or loss.

**Subsequent costs**

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

**Depreciation**

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

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

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

Buildings	20 years
Leasehold improvements, furniture and equipment	3-7 years
Vehicles	5 years

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

### 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Impairment of non-financial assets**

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

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

#### **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### **Financial guarantees**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given, being the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of income any fee income earned over the period, and the best estimate of the expenditure required settling any financial obligation arising as a result of the guarantees at the reporting date.

#### **Employee benefits**

The Group provides for end of service benefits in accordance with the employment policies of the Group. The provision is calculated on the basis of the individual's final salary and period of service at the reporting date. This provision is included in other provisions within other liabilities.

With respect to Qatari employees, the Group makes a contribution to the Qatari Pension Fund calculated on a percentage of the employees' salaries, in accordance with the Retirement and Pension Law No. 24 of 2002. The Group's obligations are limited to these contributions.

With respect to expatriate employees, the Group makes a contribution to the Provident Fund calculated on a percentage of the employees' salaries, in accordance with the Group policy and procedures. The Group's obligations are limited to these contributions.

#### **Short-term employee benefits**

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

#### **Share capital and reserves**

##### **Share issue costs**

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

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Dividends on ordinary shares**

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

**Revenue recognition**

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. The following specific recognition criteria must also be met before revenue is recognised:

*Interest income and expense*

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available -for-sale and fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a short period, where appropriate, to the net carrying amount of the financial assets or financial liabilities. Interest that is 90 days or more overdue is excluded from income. Interest on impaired loans and advances and other financial assets is not recognised in consolidated statement of income.

*Premium on insurance*

Premium on insurance contracts are recognized as revenue (earned premiums) proportionately over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as unearned premium liability on a 1/365 days basis.

*Fees and commission income and expense*

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

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

*Income from investment securities*

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

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

*Dividend income*

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

**Tax expense**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Taxes are calculated based on applicable tax laws or regulations in the countries in which the Group operates. The provision for deferred taxation is made based on the evaluation of the expected tax liability. Currently there is no corporate tax applicable to the bank in the State of Qatar. However, corporate tax is applicable on foreign branches operating outside the State of Qatar and to one subsidiary in the Qatar Financial Center.

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Tax expense (continued)**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**Earnings per share**

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

**Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

**Fiduciary activities**

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

**Repossessed collateral**

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

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

**Comparatives**

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

**Parent bank financial information**

Statement of financial position and income statement of the Parent bank as disclosed in Note 37 are prepared following the same accounting policies as mentioned above except for investment in subsidiaries, associates which are not consolidated and carried at cost.

#### 4 FINANCIAL RISK MANAGEMENT

##### **Introduction and overview**

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls. The Group is exposed to credit risk, liquidity risk, operating risk and market risk, which includes trading and non-trading risks. The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies such as the risk management department, internal audit committee, the credit committee, assets and liabilities committee responsible for managing and monitoring those risks.

Monitoring and controlling risks are primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept.

As part of its overall risk management, the Group also uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorized by the appropriate level of authority within the Group.

The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits of risks that may be accepted, which are monitored on a daily basis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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

##### **Credit risk**

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations in accordance with the agreed terms. Credit risk makes up the largest part of the Group's risk exposure; therefore, the Group carefully manages its exposure to credit risk. Credit risk is attributed to financial instruments such as balance with central banks, due from banks, loans and advances to customers, debt securities and other bills, certain other assets and credit equivalent amounts related to off-balance sheet financial instruments.

Note 10 to the consolidated financial statements disclose the distribution of the loans and advances to customers by economic sectors. Note 4 to the consolidated financial statements disclose the geographical distribution of the Group's credit exposure.

##### **Credit risk measurement**

All credit policies are reviewed and approved by the Risk Management Department and the Board of Directors. The Risk Management team centrally approves all significant credit facilities and limits for all corporate, treasury and capital markets, financial institutions and SME clients of the Group. Such approvals are carried out in pursuance to a set of delegated Credit authority limits and in accordance with the Group's approved credit policy.

Furthermore, all credit facilities are independently administered and monitored by the Credit Administration Department, which separately reports to operations.

The Group further limits risk through diversification of its assets by geography and industry sectors. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually. The Group also follows the guidelines issued by Qatar Central Bank with regard to the granting of loans which limits exposure to counterparties.

**4 FINANCIAL RISK MANAGEMENT (continued)****Credit risk (continued)****Credit risk measurement (continued)**

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Whenever possible, loans are secured by acceptable forms of collateral in order to mitigate credit risk. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash, mortgages, local and international equities, financial guarantees and other tangible securities. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values.

The Group has a credit administration process that ensures compliance with terms of approval, documentation and continuous review to ensure quality of credit and collaterals. While securities such as listed equities are valued regularly, credit policy mandates securities obtained by way of legal mortgage over real estate to be valued at least once in 3 years or more frequently if situation warrants.

**Analysis of maximum exposure to credit risk before taking account of collateral held or other credit enhancements**

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

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
<b>Credit risk exposures relating to assets recorded on the statement of financial position are as follows:</b>		
Balances with central banks	3,183,768	2,939,974
Due from banks	12,246,782	9,180,420
Loans and advances to customers	48,558,521	41,109,116
Investment securities – debt	8,547,632	10,809,569
Other assets	<u>623,016</u>	<u>587,072</u>
<b>Total as at 31 December</b>	<b><u>73,159,719</u></b>	<b><u>64,626,151</u></b>
<b>Other credit risk exposures are as follows:</b>		
Guarantees	20,231,382	17,779,104
Letters of credit	3,058,424	2,786,771
Unutilised credit facilities	<u>9,533,640</u>	<u>6,132,747</u>
<b>Total as at 31 December</b>	<b><u>32,823,446</u></b>	<b><u>26,698,622</u></b>
	<b><u>105,983,165</u></b>	<b><u>91,324,773</u></b>



## 4 FINANCIAL RISK MANAGEMENT (continued)

## Credit risk (continued)

## Analysis of concentration of risks of financial assets with credit risk exposure

## Geographical sectors

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

	<i>Qatar</i> <i>QAR'000</i>	<i>Other</i> <i>GCC</i> <i>QAR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QAR'000</i>	<i>Rest of the</i> <i>World</i> <i>QAR'000</i>	<i>2014</i> <i>Total</i> <i>QAR'000</i>
Balances with central banks	1,971,159	1,212,464	-	145	3,183,768
Due from banks	4,942,250	1,255,394	7,943	6,041,195	12,246,782
Loans and advances to customers	36,204,841	8,433,196	474,076	3,446,408	48,558,521
Investment securities - debt	7,706,441	470,724	-	370,467	8,547,632
Other assets	577,162	39,752	-	6,102	623,016
	<u>51,401,853</u>	<u>11,411,530</u>	<u>482,019</u>	<u>9,864,317</u>	<u>73,159,719</u>
	<i>Qatar</i> <i>QAR'000</i>	<i>Other</i> <i>GCC</i> <i>QAR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QAR'000</i>	<i>Rest of the</i> <i>World</i> <i>QAR'000</i>	<i>2013</i> <i>Total</i> <i>QAR'000</i>
Balances with central banks	2,382,418	557,556	-	-	2,939,974
Due from banks	809,282	1,791,900	4,596	6,574,642	9,180,420
Loans and advances to customers	34,027,179	4,024,521	319,773	2,737,643	41,109,116
Investment securities - debt	9,751,796	602,000	-	455,773	10,809,569
Other assets	560,463	26,609	-	-	587,072
	<u>47,531,138</u>	<u>7,002,586</u>	<u>324,369</u>	<u>9,768,058</u>	<u>64,626,151</u>
	<i>Qatar</i> <i>QAR'000</i>	<i>Other GCC</i> <i>QAR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QAR'000</i>	<i>Rest of the</i> <i>World</i> <i>QAR'000</i>	<i>2014</i> <i>Total</i> <i>QAR'000</i>
Guarantees	11,620,967	4,522,258	93,653	3,994,504	20,231,382
Letters of credit	1,771,159	310,225	221,622	755,418	3,058,424
Unutilised credit facilities	8,767,007	766,633	-	-	9,533,640
	<u>22,159,133</u>	<u>5,599,116</u>	<u>315,275</u>	<u>4,749,922</u>	<u>32,823,446</u>

**4 FINANCIAL RISK MANAGEMENT (continued)****Credit risk (continued)****Analysis of concentration of risks of financial assets with credit risk exposure (continued)****Geographical sectors (continued)**

	<i>Qatar</i> <i>QAR'000</i>	<i>Other GCC</i> <i>QAR'000</i>	<i>Other Middle East</i> <i>QAR'000</i>	<i>Rest of the World</i> <i>QAR'000</i>	<i>2013 Total</i> <i>QAR'000</i>
Guarantees	10,105,035	3,586,223	688,979	3,398,867	17,779,104
Letters of credit	1,285,761	366,176	99,200	1,035,634	2,786,771
Unutilised credit facilities	<u>5,679,688</u>	<u>453,059</u>	<u>-</u>	<u>-</u>	<u>6,132,747</u>
	<u>17,070,484</u>	<u>4,405,458</u>	<u>788,179</u>	<u>4,434,501</u>	<u>26,698,622</u>

**Industry sectors**

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

	<i>Gross exposure</i> <i>2014</i> <i>QAR'000</i>	<i>Gross exposure</i> <i>2013</i> <i>QAR'000</i>
<i>Funded and unfunded</i>		
Government and related agencies	14,755,565	15,665,361
Industry	2,341,117	1,058,435
Commercial	8,810,728	6,431,529
Services	18,406,815	13,817,882
Contracting	7,519,278	7,017,003
Real estate	9,752,113	9,408,561
Personal	10,129,399	9,881,336
Others	1,444,704	1,346,044
Guarantees	20,231,382	17,779,104
Letters of credit	3,058,424	2,786,771
Unutilised credit facilities	<u>9,533,640</u>	<u>6,132,747</u>
	<u>105,983,165</u>	<u>91,324,773</u>

**Credit risk exposure**

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

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
<b>Equivalent grades</b>		
Sovereign	10,916,965	11,874,521
AAA to AA-	86,214	564,560
A+ to A-	5,243,529	4,879,675
BBB+ to BBB-	1,779,667	3,221,688
BB+ to B-	2,097,317	1,925,580
Below B-	91,552	87,917
Unrated (equivalent internal grading)	<u>85,767,921</u>	<u>68,770,832</u>
	<u>105,983,165</u>	<u>91,324,773</u>

Unrated exposure represents credit facilities granted to corporations and individuals who do not have external credit ratings. Also, the ratings used by the Group are in line with the ratings and definitions published by the international rating agencies.

## 4 FINANCIAL RISK MANAGEMENT (continued)

## Credit risk (continued)

## Credit quality for class of assets

The table below shows the credit quality by class of asset for consolidated statement of financial position lines, based on the Group's credit rating system.

	<i>Loans and advances to customers</i>		<i>Due from banks</i>		<i>Investment securities - debt</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>	<i>QAR'000</i>
<b>Neither past due nor impaired (low risk):</b>						
Standard monitoring	46,146,806	37,746,491	12,246,782	9,126,466	8,452,832	10,805,170
Special monitoring	134,324	105,027	-	-	-	-
	<u>46,281,130</u>	<u>37,851,518</u>	<u>12,246,782</u>	<u>9,126,466</u>	<u>8,452,832</u>	<u>10,805,170</u>
<b>Past due but not impaired</b>						
Standard monitoring	628,188	2,519,326	-	-	-	-
Special monitoring	1,864,702	695,647	-	-	-	-
	<u>2,492,890</u>	<u>3,214,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Impaired</b>						
Substandard	224,694	147,064	-	-	112,997	-
Doubtful	210,002	223,022	-	102,821	-	18,593
Loss	1,125,190	902,697	-	-	-	13,983
	<u>1,559,886</u>	<u>1,272,783</u>	<u>-</u>	<u>102,821</u>	<u>112,997</u>	<u>32,576</u>
Less: Impairment allowance-specific	(1,642,728)	(1,177,893)	-	(48,867)	(18,197)	(28,177)
Less: Impairment allowance-collective	(132,657)	(52,265)	-	-	-	-
	<u>(1,775,385)</u>	<u>(1,230,158)</u>	<u>-</u>	<u>(48,867)</u>	<u>(18,197)</u>	<u>(28,177)</u>
<b>Carrying amount – net</b>	<b>48,558,521</b>	<b>41,109,116</b>	<b>12,246,782</b>	<b>9,180,420</b>	<b>8,547,632</b>	<b>10,809,569</b>
<b>Investment securities - debt</b>						
Held to maturity	-	-	-	-	4,138,559	6,109,454
Held for trading	-	-	-	-	31,278	-
Available for sale	-	-	-	-	4,395,992	4,728,292
Less: Impairment allowance	-	-	-	-	(18,197)	(28,177)
<b>Carrying amount – net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,547,632</b>	<b>10,809,569</b>
<b>Total carrying amount</b>	<b>48,558,521</b>	<b>41,109,116</b>	<b>12,246,782</b>	<b>9,180,420</b>	<b>8,547,632</b>	<b>10,809,569</b>

**4 FINANCIAL RISK MANAGEMENT (continued)****Credit risk (continued)****Credit quality for class of assets (continued)****Impaired loans and advances to customers and investment in debt securities**

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

**Loans and advances to customers past due but not impaired**

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

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Up to 30 days	1,198,157	1,524,687
31 to 60 days	331,298	410,218
61 to 90 days	<u>963,435</u>	<u>1,280,068</u>
<b>Gross</b>	<u><b>2,492,890</b></u>	<u><b>3,214,973</b></u>

**Rescheduled loans and advances to customers**

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to term loans – in particular, customer finance loans.

**Collateral**

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

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

The aggregate collateral in respect to the past due but not impaired loans are QAR 4,093 million as of 31 December 2014 (2013: QAR 5,313 million).

The aggregate collateral in respect to the loans and advances to customers are QAR 35,539 million as of 31 December 2014 (2013: QAR 37,123 million).

**Repossessed collateral**

As at 31 December 2014, the Group had assets by taking possession of collateral held as security amounting to QR 31.4 million (2013: 31.4 million).

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

**4 FINANCIAL RISK MANAGEMENT (continued)****Credit risk (continued)****Credit quality for class of assets (continued)****Write-off policy**

The Group writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible and after QCB approval.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions are generally based on a product-specific past due status. The amount written off during the year was QAR 12 million (2013: QAR 19 million).

**Liquidity risk**

Liquidity risk is the risk that an institution will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. To mitigate this risk, the Group has diversified funding sources and assets are managed with liquidity in mind, in order to maintain a healthy balance of cash, cash equivalents and readily marketable securities.

**Exposure to liquidity risk**

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

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	<i>2014</i>	<i>2013</i>
At 31 December		
Average for the year	<b>118.55%</b>	109.72%
Maximum for the year	<b>132.65%</b>	120.05%
Minimum for the year	<b>108.40%</b>	105.17%

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4 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below summarizes the maturity profile of the Group's assets and liabilities based on contractual maturity dates. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date, and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The Group routinely monitors assets and liabilities maturity profiles to ensure adequate liquidity is maintained.

	Carrying amount QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months – 1 year QAR'000	Subtotal 1 year QAR'000	Above 1 year QAR'000	Undated QAR'000
<b>31 December 2014</b>							
Cash and balances with central banks	3,706,541	1,509,337	161,224	74,269	1,744,830	-	1,961,711
Due from banks	12,246,782	5,181,748	3,172,495	3,490,965	11,845,208	401,574	-
Loans and advances to customers	48,558,521	15,549,869	2,986,291	6,386,268	24,922,428	23,636,093	-
Investment securities	9,452,828	221,853	599,786	116,626	938,265	7,614,630	899,933
Investment in an associate	9,244	-	-	-	-	-	9,244
Property, furniture and equipment	761,011	-	-	-	-	-	761,011
Other assets	782,635	782,635	-	-	782,635	-	-
<b>Total</b>	<b>75,517,562</b>	<b>23,245,442</b>	<b>6,919,796</b>	<b>10,068,128</b>	<b>40,233,366</b>	<b>31,652,297</b>	<b>3,631,899</b>
Due to banks	12,794,735	10,770,650	905,976	1,118,109	12,794,735	-	-
Customer deposits	45,946,575	23,490,615	16,275,671	6,019,956	45,786,242	160,333	-
Debt securities	2,582,478	-	-	-	-	2,582,478	-
Other borrowings	727,681	-	-	363,531	363,531	364,150	-
Other liabilities	2,173,340	2,173,340	-	-	2,173,340	-	-
Total equity	11,292,753	-	-	-	-	-	11,292,753
<b>Total</b>	<b>75,517,562</b>	<b>36,434,605</b>	<b>17,181,647</b>	<b>7,501,596</b>	<b>61,117,848</b>	<b>3,106,961</b>	<b>11,292,753</b>
<b>Maturity gap</b>	<b>-</b>	<b>(13,189,163)</b>	<b>(10,261,851)</b>	<b>2,566,532</b>	<b>(20,884,482)</b>	<b>28,545,336</b>	<b>(7,660,854)</b>

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4 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months - 1 year QAR'000	Subtotal 1 year QAR'000	Above 1 year QAR'000	Undated QAR'000
31 December 2013							
Cash and balances with central banks	3,435,761	1,294,172	283,240	57,818	1,635,230	-	1,800,531
Due from banks	9,180,420	2,665,398	3,337,281	2,758,968	8,761,647	418,773	-
Loans and advances to customers	41,109,116	17,441,471	2,118,642	5,091,183	24,651,296	16,457,820	-
Investment securities	11,703,577	2,310,127	744,514	418,990	3,473,631	7,335,938	894,008
Investment in an associate	9,382	-	-	-	-	-	9,382
Property, furniture and equipment	759,471	-	-	-	-	-	759,471
Other assets	772,097	772,097	-	-	772,097	-	-
<b>Total</b>	<b>66,969,824</b>	<b>24,483,265</b>	<b>6,483,677</b>	<b>8,326,959</b>	<b>39,293,901</b>	<b>24,212,531</b>	<b>3,463,392</b>
Due to banks	7,719,781	6,862,027	713,498	38,800	7,614,325	105,456	-
Customer deposits	42,522,489	26,132,873	11,676,798	4,590,300	42,399,971	122,518	-
Debt securities	2,575,831	-	-	-	-	2,575,831	-
Other borrowings	455,188	-	-	182,075	182,075	273,113	-
Other liabilities	2,425,632	2,425,632	-	-	2,425,632	-	-
Total equity	11,270,903	-	-	-	-	-	11,270,903
<b>Total</b>	<b>66,969,824</b>	<b>35,420,532</b>	<b>12,390,296</b>	<b>4,811,175</b>	<b>52,622,003</b>	<b>3,076,918</b>	<b>11,270,903</b>
Maturity gap	-	(10,937,267)	(5,906,619)	3,515,784	(13,328,102)	21,135,613	(7,807,511)

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At 31 December 2014

4 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

The table below summarises contractual expiry dates of the Group's contingent liabilities:

	<i>Carrying amount QAR'000</i>	<i>Up to 3 months QAR'000</i>	<i>3 months – 1 year QAR'000</i>	<i>1–5 years QAR'000</i>	<i>Above 5 years QAR'000</i>
<b>31 December 2014</b>					
Guarantees	20,231,382	5,429,942	6,788,447	7,457,221	555,772
Letters of credit	3,058,424	1,971,715	981,462	104,060	1,187
Unutilised credit facilities	<u>9,533,640</u>	<u>3,826,124</u>	<u>4,193,420</u>	<u>1,514,096</u>	<u>-</u>
<b>Total</b>	<u>32,823,446</u>	<u>11,227,781</u>	<u>11,963,329</u>	<u>9,075,377</u>	<u>556,959</u>
<b>31 December 2013</b>					
Guarantees	17,779,104	4,624,720	5,795,987	6,976,147	382,250
Letters of credit	2,786,771	1,783,533	877,833	124,290	1,115
Unutilised credit facilities	<u>6,132,747</u>	<u>2,575,753</u>	<u>2,692,276</u>	<u>864,718</u>	<u>-</u>
<b>Total</b>	<u>26,698,622</u>	<u>8,984,006</u>	<u>9,366,096</u>	<u>7,965,155</u>	<u>383,365</u>



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4 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

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

	Carrying amount QAR'000	Gross undiscounted cash flows QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months - 1 year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
<b>31 December 2014</b>							
<b>Non-derivative financial liabilities</b>							
Due to banks	12,794,735	12,864,039	10,775,981	921,969	1,166,089	-	-
Customer deposits	45,946,575	46,026,875	30,689,807	9,107,260	6,045,480	184,328	-
Debt securities	2,582,478	2,755,237	-	18,974	58,249	2,678,014	-
Other borrowings	727,681	734,579	-	1,761	367,931	364,887	-
Other liabilities	2,120,654	2,120,654	2,120,654	-	-	-	-
<b>Total liabilities</b>	<b>64,172,123</b>	<b>64,501,384</b>	<b>43,586,442</b>	<b>10,049,964</b>	<b>7,637,749</b>	<b>3,227,229</b>	<b>-</b>

Derivative financial instruments:

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

	Total QAR'000	Up to 1 Year QAR'000	1 - 5 years QAR'000	More than 5 years QAR'000
<b>Derivatives Held for Trading:</b>				
Forward foreign exchange contracts				
Outflow	(5,570,435)	(5,570,435)	-	-
Inflow	5,553,945	5,553,945	-	-

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At 31 December 2014

4 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

Exposure to liquidity risk (continued)

Maturity analysis of assets and liabilities (continued)

	Carrying amount QAR'000	Gross undiscounted cash flows QAR'000	Less than 1 month QAR'000	1-3 months QAR'000	3 months - 1 year QAR'000	1-5 years QAR'000	More than 5 years QAR'000
31 December 2013							
Non-derivative financial liabilities							
Due to banks	7,719,781	7,908,143	6,869,875	737,043	101,588	199,637	-
Customer deposits	42,522,489	42,620,281	26,142,969	11,692,586	4,645,042	139,684	-
Debt securities	2,575,831	2,871,505	-	19,015	57,596	2,794,894	-
Other borrowings	455,188	464,143	-	1,110	185,934	277,099	-
Other liabilities	2,406,622	2,406,622	2,406,622	-	-	-	-
<b>Total liabilities</b>	<b>55,679,911</b>	<b>56,270,694</b>	<b>35,419,466</b>	<b>12,449,754</b>	<b>4,990,160</b>	<b>3,411,314</b>	<b>-</b>

Derivative financial instruments:

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

	Total QAR'000	Up to 1 Year QAR'000	1 - 5 years QAR'000	More than 5 years QAR'000
Derivatives Held for Trading:				
Forward foreign exchange contracts				
Outflow	(3,248,760)	(3,248,760)	-	-
Inflow	3,253,599	3,253,599	-	-

**4 FINANCIAL RISK MANAGEMENT (continued)**

**Market risks**

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by Market Risk team. Regular reports are submitted to the Board of Directors and ALCO.

**Management of market risks**

Overall authority for market risk is vested in ALCO. Financial Risk Management department is responsible for the development of detailed market risk management policies (subject to review and approval by ALCO) and for the day-to-day review and monitoring.

The Group has adopted a detailed policy framework drafted in accordance with the Qatar Central Bank guidelines for governing investments portfolio including proprietary book. The governance structure includes policies including Treasury and Investment manual, Financial Risk policy and Hedging policy, etc. These policies define the limit structure along with the risk appetite under which the investment activities are undertaken. The limits structure focuses on total investment limits which in accordance with QCB guidelines are 70% of Group's capital and reserves along with various sub limits such as position and stop loss limits for trading activities. The policies also define various structured sensitivity limits such as VaR and duration for different asset classes within the investment portfolio. The performance of the portfolio against these limits is updated regularly to senior management including ALCO and investment committee.

Investment Committee and Board of Directors approve all the investment decision for the Group. Financial Risk Management department is vested with the responsibility of measuring, monitoring risk and reporting risk in the portfolio.

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4 FINANCIAL RISK MANAGEMENT (continued)

Market risks (continued)

Exposure to interest rate risk

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

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

	Carrying amount QAR'000	Repricing in:			Non-interest sensitive QAR'000
		Less than 3 months QAR'000	3-12 months QAR'000	1-5 years QAR'000	
<b>2014</b>					
Cash and cash equivalents	3,706,541	851,395	74,269	-	2,780,877
Due from banks	12,246,782	9,206,808	2,937,449	-	102,525
Loans and advances to customers	48,558,521	20,920,544	5,734,801	19,778,149	2,125,027
Investment securities	9,452,828	821,639	116,626	7,614,630	899,933
Investment in an associate	9,244	-	-	-	9,244
Property, furniture and equipment	761,011	-	-	-	761,011
Other assets	782,635	-	-	-	782,635
	<u>75,517,562</u>	<u>31,800,386</u>	<u>8,863,145</u>	<u>27,392,779</u>	<u>7,461,252</u>
Due to banks	12,794,735	11,549,714	1,118,109	-	126,912
Customer deposits	45,946,575	25,387,828	6,019,956	160,333	14,378,458
Debt securities	2,582,478	773,273	-	1,809,205	-
Other borrowings	727,681	636,643	91,038	-	-
Other liabilities	2,173,340	-	-	-	2,173,340
Total equity	<u>11,292,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,292,753</u>
	<u>75,517,562</u>	<u>38,347,458</u>	<u>7,229,103</u>	<u>1,969,538</u>	<u>27,971,463</u>
Interest rate sensitivity gap	-	(6,547,072)	1,634,042	25,423,241	(20,510,211)
Cumulative interest rate sensitivity gap	-	(6,547,072)	(4,913,030)	20,510,211	-

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4 FINANCIAL RISK MANAGEMENT (continued)

Market risks (continued)

Exposure to interest rate risk (continued)

	Carrying amount QAR'000	Less than 3 months QAR'000	Repricing in:		Non-interest sensitive QAR'000
			3-12 months QAR'000	1-5 years QAR'000	
2013					
Cash and cash equivalents	3,435,761	1,081,625	57,818	-	2,296,318
Due from banks	9,180,420	6,064,267	3,028,152	-	88,001
Loans and advances to customers	41,109,116	17,869,547	6,607,494	14,318,959	2,313,116
Investment securities	11,703,577	3,127,161	418,990	7,263,418	894,008
Investment in an associate	9,382	-	-	-	9,382
Property, furniture and equipment	759,471	-	-	-	759,471
Other assets	772,097	-	-	-	772,097
	<u>66,969,824</u>	<u>28,142,600</u>	<u>10,112,454</u>	<u>21,582,377</u>	<u>7,132,393</u>
Due to banks	7,719,781	7,393,450	326,331	-	-
Customer deposits	42,522,489	24,959,455	5,318,600	122,518	12,121,916
Debt securities	2,575,831	773,273	-	1,802,558	-
Other borrowings	455,188	455,188	-	-	-
Other liabilities	2,425,632	-	-	-	2,425,632
Total equity	<u>11,270,903</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,270,903</u>
	<u>66,969,824</u>	<u>33,581,366</u>	<u>5,644,931</u>	<u>1,925,076</u>	<u>25,818,451</u>
Interest rate sensitivity gap	<u>-</u>	<u>(5,438,766)</u>	<u>4,467,523</u>	<u>19,657,301</u>	<u>(18,686,058)</u>
Cumulative interest rate sensitivity gap	<u>-</u>	<u>(5,438,766)</u>	<u>(971,243)</u>	<u>18,686,058</u>	<u>-</u>

**4 FINANCIAL RISK MANAGEMENT (continued)****Market risk (continued)****Sensitivity analysis**

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis points (bp) parallel fall or rise in all yield curves worldwide and a 10 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

	<i>10 bp parallel increase QAR'000</i>	<i>10 bp parallel decrease QAR'000</i>
<i>Sensitivity of net interest income</i>		
<b>2014</b>		
At 31 December	(6,547)	6,547
<b>2013</b>		
At 31 December	(5,438)	5,438
	<i>10 bp parallel increase QAR'000</i>	<i>10 bp parallel decrease QAR'000</i>
<i>Sensitivity of reported equity to interest rate movements</i>		
<b>2014</b>		
At 31 December	(12,393)	12,393
<b>2013</b>		
At 31 December	(18,934)	18,934

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

**4 FINANCIAL RISK MANAGEMENT (continued)****Market risk (continued)****Exposure to other market risks****Currency risk**

The Group is exposed to fluctuations in foreign currency exchange rates. The Board of Directors sets limits on the level of exposure by currency, and in total for both overnight and intra-day positions, which are monitored daily. The Group had the following significant net exposures :

	2014 QAR'000	2013 QAR'000
Net foreign currency exposure:		
Pound Sterling	-	3,335
Euro	136,487	(20,765)
Japanese Yen	4,665	(2,572)
Other currencies	1,202,345	2,454,300

**Foreign currency sensitivity analysis**

The following table details the Group's sensitivity to a percentage increase or decrease in the Qatari Riyals against the relevant foreign currencies except for US Dollars which is pegged to the Qatari Riyal. The sensitivity analysis includes only outstanding foreign currency denominated items and the impact of a change in the exchange rates are as follows:

	<i>Increase / (decrease) in profit or loss</i>	
	2014 QAR'000	2013 QAR'000
5% increase / (decrease) in currency exchange rate		
Pound Sterling	-	167
Euro	6,824	1,038
Japanese Yen	233	129
Other currencies	60,177	122,715

**Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The equity price risk exposure arises from equity securities classified as available-for-sale and fair value through profit or loss.

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

	2014		2013	
	<i>Effect on OCI QAR'000</i>	<i>Effect on income statement QAR'000</i>	<i>Effect on OCI QAR'000</i>	<i>Effect on income statement QAR'000</i>
5% increase / (decrease) in Qatar Exchange	± 16,491	-	± 14,418	-
5% increase / (decrease) in Other than Qatar Exchange	± 23,264	± 183	± 20,929	-
	<u>± 39,755</u>	<u>± 183</u>	<u>± 35,347</u>	<u>-</u>

**4 FINANCIAL RISK MANAGEMENT (continued)**

**Market risk (continued)**

**Equity price risk (continued)**

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

**Operational risks**

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. The Group has detailed policies and procedures that are regularly updated to ensure a robust internal control mechanism. The Group closely reviews the various recommendations issued by the Basel Committee on 'Sound Practices for the Management and Supervision of Operational Risk' for implementation. The Group continues to invest in risk management and mitigation strategies, such as a robust control infrastructure, business continuity management or through risk transfer mechanisms such as insurance and outsourcing.

The Group has a well-defined Operational Risk Management Framework and an independent operational risk function. The Operational Risk Management Committee oversees the implementation of an effective risk management framework that encompasses appropriate systems, practices, policies and procedures to ensure the effectiveness of risk identification, measurement, assessment, reporting and monitoring within the group.

In addition, the Internal Audit department carries out an independent assessment and provides assurance of the actual functioning of the overall Operational Risk Management Framework.

The Group manages operational risk based on a framework that enables the determination of operational risk profile of business units and how it relates to risk measurement, risk mitigation and priorities.

A number of techniques are applied to effectively manage the operational risk across the Group. These include:

- Effective staff training, documented processes/procedures with appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, introduction process of new products, reviews of outsourcing activities, information system security, segregation of duties, financial management and reporting are some of the measures adopted by the Group to manage Group-wide operational risk;
- Reporting of any operational risk event, which is used to help identify where process and control requirements are needed to reduce the recurrence of risk events. Risk events are analyzed, reported, mitigated, recorded on a central database and reported quarterly to the Board of Directors; and
- Introduction of a bottom-up 'Control Risk Self-Assessment' across business and support units including subsidiaries and overseas branches. This approach results in detailed understanding of inherent and residual risks with evaluation of controls across the Group. Therefore, it enhances the determination of specific operational risk profile for the business and support units while corrective action points are captured and the changes of the operational risk profile are monitored on an ongoing basis.



**4 FINANCIAL RISK MANAGEMENT (continued)****Capital management****Regulatory capital**

The Group maintains an actively managed capital base to cover the risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Qatar Central Bank.

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

The Group manages its capital structure and makes adjustment to it in 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 shareholders or issue capital securities.

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Common Equity Tier 1 Capital	8,049,896	7,188,659
Additional Tier 1 Capital	2,000,000	2,000,000
Additional Tier 2 Capital	<u>237,338</u>	<u>1,009,612</u>
<b>Total Eligible Capital</b>	<b><u>10,287,234</u></b>	<b><u>10,198,271</u></b>

**Risk weighted assets**

	<i>2014</i> <i>Basel III</i> <i>Risk</i> <i>weighted</i> <i>amount</i> <i>QAR'000</i>	<i>2013</i> <i>Basel II</i> <i>Risk</i> <i>weighted</i> <i>amount</i> <i>QAR'000</i>
Total risk weighted assets for credit risk	62,402,588	53,604,564
Risk weighted assets for market risk	1,709,337	6,304,425
Risk weighted assets for operational risk	<u>4,343,993</u>	<u>4,236,676</u>
	<b><u>68,455,918</u></b>	<b><u>64,145,665</u></b>

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Risk weighted assets	68,455,918	64,145,665
Total eligible capital	10,287,234	10,198,271
Risk weighted assets as a percentage of total eligible capital	15.03%	15.90%
Capital adequacy ratio	15.03%	15.90%

#### 4 FINANCIAL RISK MANAGEMENT (continued)

##### Capital management (continued)

The Bank has followed QCB Basel III capital adequacy ratio ("CAR") with effect from 1 January 2014 in accordance with QCB regulations.

The minimum accepted CAR under QCB Basel III requirements are as follows:

- Minimum limit without Capital Conservation Buffer is 10%
- Minimum limit including Capital Conservation Buffer is 12.5%

The CAR disclosures for 2013 are based on QCB Basel II requirements.

#### 5 USE OF ESTIMATES AND JUDGEMENTS

##### Key sources of estimation uncertainty

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

##### Allowances for credit losses

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

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

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

##### Determining fair values

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

**5 USE OF ESTIMATES AND JUDGEMENTS (continued)**

**Critical accounting judgements in applying the Group's accounting policies**

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

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

## 5 USE OF ESTIMATES AND JUDGEMENTS (continued)

## Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 31 December 2014:

	<i>Date of valuation</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
<b>Assets measured at fair value:</b>					
Available-for-sale investment securities	31 Dec 2014	4,089,030	1,141,749	-	5,230,779
Investment securities classified as held for trading	31 Dec 2014	36,541	-	-	36,541
<b>Derivative instruments:</b>					
Interest rate swaps	31 Dec 2014	-	11,977	-	11,977
Forward foreign exchange contracts	31 Dec 2014	-	26,152	-	26,152
		<u>4,125,571</u>	<u>1,179,878</u>	<u>-</u>	<u>5,305,449</u>
<b>Assets for which fair values are disclosed (note 7)</b>					
Cash and balances with central banks	31 Dec 2014	-	3,706,541	-	3,706,541
Due from banks	31 Dec 2014	-	12,246,782	-	12,246,782
Loans and advances to customers	31 Dec 2014	-	48,558,521	-	48,558,521
Held to maturity investment securities	31 Dec 2014	1,995,374	2,215,313	-	4,210,687
Other Assets	31 Dec 2014	-	623,016	-	623,016
<b>Liabilities measured at fair value:</b>					
<b>Derivative instruments:</b>					
Interest rate swaps	31 Dec 2014	-	10,044	-	10,044
Forward foreign exchange contracts	31 Dec 2014	-	42,642	-	42,642
		<u>-</u>	<u>52,686</u>	<u>-</u>	<u>52,686</u>
<b>Liabilities for which fair values are disclosed (note 7)</b>					
Due to banks	31 Dec 2014	-	12,794,735	-	12,794,735
Customer deposits	31 Dec 2014	-	45,946,575	-	45,946,575
Debt securities	31 Dec 2014	2,646,854	-	-	2,646,854
Other borrowings	31 Dec 2014	-	727,681	-	727,681
Other liabilities	31 Dec 2014	-	1,273,911	-	1,273,911

There have been no transfers between Level 1 and Level 2 fair value measurement during the year.

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**5 USE OF ESTIMATES AND JUDGEMENTS (continued)****Fair value measurement (continued)**

Fair value hierarchy for financial instruments measured at fair value as at 31 December 2013:

	<i>Date of valuation</i>	<i>Level 1 QAR'000</i>	<i>Level 2 QAR'000</i>	<i>Level 3 QAR'000</i>	<i>Total QAR'000</i>
<b>Assets measured at fair value:</b>					
Available-for-sale investment securities	31 Dec 2013	4,442,482	1,116,413	-	5,558,895
<b>Derivative instruments:</b>					
Interest rate swaps	31 Dec 2013	-	39,009	-	39,009
Forward foreign exchange contracts	31 Dec 2013	-	19,844	-	19,844
		<u>4,442,482</u>	<u>1,175,266</u>	<u>-</u>	<u>5,617,748</u>
<b>Assets for which fair values are disclosed (note 7)</b>					
Cash and balances with central banks	31 Dec 2013	-	3,435,761	-	3,435,761
Due from banks	31 Dec 2013	-	9,180,420	-	9,180,420
Loans and advances to customers	31 Dec 2013	-	41,109,116	-	41,109,116
Held to maturity investment securities	31 Dec 2013	2,292,041	3,893,761	-	6,185,802
Other assets	31 Dec 2013	-	587,072	-	587,072
<b>Liabilities measured at fair value:</b>					
<b>Derivative instruments:</b>					
Interest rate swaps	31 Dec 2013	-	4,005	-	4,005
Forward foreign exchange contracts	31 Dec 2013	-	15,005	-	15,005
		<u>-</u>	<u>19,010</u>	<u>-</u>	<u>19,010</u>
<b>Liabilities for which fair values are disclosed (note 7)</b>					
Due to banks	31 Dec 2013	-	7,719,781	-	7,719,781
Customer deposits	31 Dec 2013	-	42,522,489	-	42,522,489
Debt securities	31 Dec 2013	2,619,622	-	-	2,619,622
Other borrowings	31 Dec 2013	-	455,188	-	455,188
Other liabilities	31 Dec 2013	-	1,040,336	-	1,040,336

During the reporting period 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements.

All unquoted available for sale equity investments amounting to QAR 61.1 million (2013: QAR 63.4 million) are recorded at cost since the fair value cannot be reliably measured.

**Financial asset and liability classification**

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

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

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

## 5 USE OF ESTIMATES AND JUDGEMENTS (continued)

### Qualifying hedge relationships

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

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

### Impairment of investments in equity and debt securities

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

### Going concern

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

### Useful lives of property and equipment

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

## 6 OPERATING SEGMENTS

The Group organizes and manages its operations by two business segments, which comprise conventional banking and insurance activities.

### Conventional Banking

- Corporate Banking provides a range of product and service offerings to business and corporate customers including funded and non-funded credit facilities deposits to corporate customers. It also undertakes funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- Retail Banking provides a diversified range of products and services to individuals. The range includes loans, credit cards, deposits and other transactions with retail customers.

### Insurance Activities

Insurance activities to customers include effecting contracts of insurance, carrying out contracts of insurance, arranging deals in investments and advising on investments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

6 OPERATING SEGMENTS (continued)

Details of each segment as of and for the year ended 31 December 2014 are stated below:

	2014			Total QAR'000	Insurance QAR'000	Total QAR'000
	Corporate Banking QAR'000	Retail Banking QAR'000	Unallocated QAR'000			
Interest/similar income	2,110,953	396,282	-	2,507,235	-	2,507,235
Net income from insurance activities	-	-	-	-	21,551	21,551
Other income	648,986	152,340	85,611	886,937	9,856	896,793
<b>Segmental revenue</b>	<b>2,759,939</b>	<b>548,622</b>	<b>85,611</b>	<b>3,394,172</b>	<b>31,407</b>	<b>3,425,579</b>
Net impairment loss on loans and advances to customers	371,782	67,367	-	439,149	-	439,149
Impairment loss on investment securities	30,174	-	-	30,174	-	30,174
<b>Segmental profit</b>				<b>1,348,399</b>	<b>10,217</b>	<b>1,358,616</b>
Share of results of the associate						42
<b>Net profit for the year</b>						<b>1,358,658</b>
<b>Other information</b>						
Assets	62,782,728	7,284,329	5,159,854	75,226,911	281,407	75,508,318
Investments in an associate						9,244
<b>Total</b>						<b>75,517,562</b>
Liabilities	54,218,518	9,383,256	485,919	64,087,693	137,116	64,224,809
Contingent items	32,458,791	364,655	-	32,823,446	-	32,823,446

## Doha Bank Q.S.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

## 6 OPERATING SEGMENTS (continued)

	2013			Total QAR'000	Insurance QAR'000	Total QAR'000
	Corporate Banking QAR'000	Retail Banking QAR'000	Unallocated QAR'000			
Interest/similar income	1,983,217	411,245	-	2,394,462	-	2,394,462
Net income from insurance activities	-	-	-	-	17,366	17,366
Other income	517,626	116,332	58,453	692,411	9,137	701,548
Segmental revenue	2,500,843	527,577	58,453	3,086,873	26,503	3,113,376
Net impairment loss on loans and advances to customers	297,575	20,583	-	318,158	-	318,158
Impairment loss on investment securities	10,769	-	-	10,769	-	10,769
Segmental profit				1,308,683	3,826	1,312,509
Share of results of the associate						143
Net profit for the year						1,312,652
Other information						
Assets	55,234,965	6,935,248	4,535,871	66,706,084	254,358	66,960,442
Investments in an associate	-	-	-	-	-	9,382
Total						66,969,824
Liabilities	46,114,803	8,864,432	599,300	55,578,535	120,386	55,698,921
Contingent items	26,463,508	235,114	-	26,698,622	-	26,698,622



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**Doha Bank Q.S.C.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

At 31 December 2014

**6 OPERATING SEGMENTS (continued)****Geographical areas**

The following table shows the geographic distribution of the Group's operating income based on the geographical location of where the business is booked by the branch.

	<i>Qatar</i> <i>QAR'000</i>	<i>Other</i> <i>GCC</i> <i>QAR'000</i>	<i>India</i> <i>QAR'000</i>	<i>Total</i> <i>QAR'000</i>
<b>2014</b>				
Net operating income	<u>2,622,523</u>	<u>233,053</u>	<u>4,050</u>	<u>2,859,626</u>
Net profit	<u>1,326,848</u>	<u>30,997</u>	<u>813</u>	<u>1,358,658</u>
Total assets	<u>67,548,017</u>	<u>7,881,693</u>	<u>87,852</u>	<u>75,517,562</u>
Total liabilities	<u>57,533,071</u>	<u>6,689,970</u>	<u>1,768</u>	<u>64,224,809</u>
<b>2013</b>				
Net operating income	<u>2,379,369</u>	<u>161,796</u>	<u>-</u>	<u>2,541,165</u>
Net profit	<u>1,276,151</u>	<u>36,501</u>	<u>-</u>	<u>1,312,652</u>
Total assets	<u>60,502,713</u>	<u>6,467,111</u>	<u>-</u>	<u>66,969,824</u>
Total liabilities	<u>49,347,737</u>	<u>6,351,184</u>	<u>-</u>	<u>55,698,921</u>

Doha Bank Q.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 FINANCIAL ASSETS AND LIABILITIES

Accounting classifications and fair values

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

	<i>Fair value through profit or loss QAR'000</i>	<i>Held to maturity QAR'000</i>	<i>Loans and receivables QAR'000</i>	<i>Available- for-sale QAR'000</i>	<i>Other amortised cost QAR'000</i>	<i>Total carrying amount QAR'000</i>	<i>Fair value QAR'000</i>
<b>31 December 2014</b>							
Cash and balances with central banks	-	-	3,706,541	-	-	3,706,541	3,706,541
Due from banks	-	-	12,246,782	-	-	12,246,782	12,246,782
Positive fair value of derivatives	38,129	-	-	-	-	38,129	38,129
Loans and advances to customers	-	-	48,558,521	-	-	48,558,521	48,558,521
Investment securities:							
Measured at fair value	36,541	-	-	5,291,922	-	5,328,463	5,328,463
Measured at amortised cost	-	4,124,365	-	-	-	4,124,365	4,210,687
Other assets	-	-	-	-	623,016	623,016	623,016
	<b>74,670</b>	<b>4,124,365</b>	<b>64,511,844</b>	<b>5,291,922</b>	<b>623,016</b>	<b>74,625,817</b>	<b>74,712,139</b>
Negative fair value of derivatives	52,686	-	-	-	-	52,686	52,686
Due to banks	-	-	-	-	12,794,735	12,794,735	12,794,735
Customer deposits	-	-	-	-	45,946,575	45,946,575	45,946,575
Debt securities	-	-	-	-	2,582,478	2,582,478	2,646,854
Other borrowings	-	-	-	-	727,681	727,681	727,681
Other liabilities	-	-	-	-	1,273,911	1,273,911	1,273,911
	<b>52,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,325,380</b>	<b>63,378,066</b>	<b>63,442,442</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

7 FINANCIAL ASSETS AND LIABILITIES (continued)

Accounting classifications and fair values

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

	<i>Fair value through profit or loss QAR'000</i>	<i>Held to maturity QAR'000</i>	<i>Loans and receivables QAR'000</i>	<i>Available- for-sale QAR'000</i>	<i>Other amortised cost QAR'000</i>	<i>Total carrying amount QAR'000</i>	<i>Fair value QAR'000</i>
<i>31 December 2013</i>							
Cash and balances with central banks	-	-	3,435,761	-	-	3,435,761	3,435,761
Due from banks	-	-	9,180,420	-	-	9,180,420	9,180,420
Positive fair value of derivatives	58,853	-	-	-	-	58,853	58,853
Loans and advances to customers	-	-	41,109,116	-	-	41,109,116	41,109,116
Investment securities:							
Measured at fair value	-	-	-	5,622,300	-	5,622,300	5,622,300
Measured at amortised cost	-	6,081,277	-	-	-	6,081,277	6,185,802
Other assets	-	-	-	-	587,072	587,072	587,072
	<u>58,853</u>	<u>6,081,277</u>	<u>53,725,297</u>	<u>5,622,300</u>	<u>587,072</u>	<u>66,074,799</u>	<u>66,179,324</u>
Negative fair value of derivatives	19,010	-	-	-	-	19,010	19,010
Due to banks	-	-	-	-	7,719,781	7,719,781	7,719,781
Customer deposits	-	-	-	-	42,522,489	42,522,489	42,522,489
Debt securities	-	-	-	-	2,575,831	2,575,831	2,619,622
Other borrowings	-	-	-	-	455,188	455,188	455,188
Other liabilities	-	-	-	-	1,040,336	1,040,336	1,040,336
	<u>19,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,313,625</u>	<u>54,332,635</u>	<u>54,376,426</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

**7 FINANCIAL ASSETS AND LIABILITIES (continued)****Investment securities – unquoted equity securities at cost**

The above table includes to QAR 61.1 million (2013 : QAR 63.4 million) at 31 December 2014 of unquoted equity investments in both the carrying amount and fair value columns that were measured at cost and for which disclosure of fair value was not provided because their fair value was not considered to be reliably measureable.

**8 CASH AND BALANCES WITH CENTRAL BANKS**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Cash	522,773	495,787
Cash reserve with QCB*	1,823,312	1,699,496
Cash reserve with other central banks*	138,399	101,035
Other balances with central banks	<u>1,222,057</u>	<u>1,139,443</u>
	<u>3,706,541</u>	<u>3,435,761</u>

\*Cash reserve with QCB and other central banks are mandatory reserves that are not available for use in the Group's day to day operations.

**9 DUE FROM BANKS**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Current accounts	1,219,227	744,501
Placements	5,775,869	3,298,923
Loans to banks	5,251,686	5,185,863
Impairment allowance on due from banks (Note i)	<u>-</u>	<u>(48,867)</u>
	<u>12,246,782</u>	<u>9,180,420</u>

Note i:

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Balance at 1 January	48,867	48,867
Provisions recovered during the year	<u>(48,867)</u>	<u>-</u>
	<u>-</u>	<u>48,867</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

## 10 LOANS AND ADVANCES TO CUSTOMERS

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Loans	43,324,851	37,536,919
Overdrafts	5,653,074	2,853,496
Bills discounted	268,333	181,140
Other loans*	<u>1,129,784</u>	<u>1,841,872</u>
<b>(Note-i)</b>	<b><u>50,376,042</u></b>	<b><u>42,413,427</u></b>
Less :		
Deferred profit	(42,136)	(74,153)
Specific impairment of loans and advances to customers	(1,642,728)	(1,177,893)
Collective impairment allowance	<u>(132,657)</u>	<u>(52,265)</u>
<b>Net loans and advances to customers</b>	<b><u>48,558,521</u></b>	<b><u>41,109,116</u></b>

The aggregate amount of non-performing loans and advances to customers amounted QAR 1,559.9 million, which represents 3.10% of total loans and advances to customers (2013: QAR 1,272.8 million, 3.01% of total loans and advances to customers).

Specific impairment of loans and advances to customers includes QAR 290.5 million of interest in suspense (2013: QAR 177.7 million).

\*This includes acceptances pertaining to trade finance amounting to QAR 565.2 million (2013: QAR 1,040.3 million).

*Note-i:*

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Government and related agencies	5,010,198	3,423,104
Corporate	34,744,184	28,733,752
Retail	<u>10,621,660</u>	<u>10,256,571</u>
	<b><u>50,376,042</u></b>	<b><u>42,413,427</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

## 10 LOANS AND ADVANCES TO CUSTOMERS (continued)

## By industry

<i>At 31 December 2014</i>	<i>Loans QAR'000</i>	<i>Overdrafts QAR'000</i>	<i>Bills discounted QAR'000</i>	<i>Other Loans QAR'000</i>	<i>Total QAR'000</i>
Government and related agencies	2,809,656	2,171,724	-	28,818	5,010,198
Non-banking financial institutions	1,177,548	-	-	-	1,177,548
Industry	2,329,700	45,636	31,958	4,622	2,411,916
Commercial	7,439,046	788,316	108,094	489,219	8,824,675
Services	2,984,720	208,445	67,285	32,424	3,292,874
Contracting	6,900,630	1,077,334	44,129	373,835	8,395,928
Real estate	9,214,058	538,704	200	43,940	9,796,902
Personal	9,768,614	735,281	520	117,245	10,621,660
Others	700,879	87,634	16,147	39,681	844,341
	<u>43,324,851</u>	<u>5,653,074</u>	<u>268,333</u>	<u>1,129,784</u>	<u>50,376,042</u>
Less: Deferred profit					(42,136)
Specific impairment of loans and advances to customers					(1,642,728)
Collective impairment allowance					<u>(132,657)</u>
					<u>48,558,521</u>
<i>At 31 December 2013</i>	<i>Loans QAR'000</i>	<i>Overdrafts QAR'000</i>	<i>Bills discounted QAR'000</i>	<i>Other Loans QAR'000</i>	<i>Total QAR'000</i>
Government and related agencies	3,220,742	45,363	-	156,999	3,423,104
Non-banking financial institutions	247,337	72,815	-	-	320,152
Industry	788,462	17,572	28,809	16,023	850,866
Commercial	5,099,485	774,116	93,581	693,163	6,660,345
Services	2,809,757	111,066	32,092	334,504	3,287,419
Contracting	6,496,011	711,306	18,781	368,452	7,594,550
Real estate	8,676,613	480,569	-	88,712	9,245,894
Personal	9,669,723	437,234	608	149,006	10,256,571
Others	528,789	203,455	7,269	35,013	774,526
	<u>37,536,919</u>	<u>2,853,496</u>	<u>181,140</u>	<u>1,841,872</u>	<u>42,413,427</u>
Less: Deferred profit					(74,153)
Specific impairment of loans and advances to customers					(1,177,893)
Collective impairment allowance					<u>(52,265)</u>
					<u>41,109,116</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

## 10 LOANS AND ADVANCES TO CUSTOMERS (continued)

## Movement in impairment loss on loans and advances to customers

	2014 QAR'000	2013 QAR'000
Balance at 1 January	1,230,158	844,659
Foreign currency translation	(1,580)	(56)
Provisions made during the year	626,131	473,506
Recoveries during the year	(76,199)	(81,612)
Net allowance for impairment during the year*	549,932	391,894
Written off/transfers during the year	(3,125)	(6,339)
<b>Balance at 31 December</b>	<b>1,775,385</b>	<b>1,230,158</b>

\*The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations amounting to QAR 110.8 million during the year (2013: QAR 73.7 million).

Reconciliations of the allowance for impairment losses for loans and advances to customers, by class, is as follows:

	<i>Corporate lending QAR'000</i>	<i>SME lending QAR'000</i>	<i>Retail Lending QAR'000</i>	<i>Real Estate Mortgage Lending QAR'000</i>	<i>Total QAR'000</i>
Balance at 1 January	887,159	22,369	266,714	53,916	1,230,158
Foreign currency translation	(585)	-	(995)	-	(1,580)
Provisions made during the year	409,502	34,871	128,438	53,320	626,131
Recoveries during the year	(19,864)	(3,515)	(34,122)	(18,698)	(76,199)
Written off/transfers during the year	(1,825)	(103)	5,961	(7,158)	(3,125)
<b>Balance at 31 December 2014</b>	<b>1,274,387</b>	<b>53,622</b>	<b>365,996</b>	<b>81,380</b>	<b>1,775,385</b>
	<i>Corporate lending QAR'000</i>	<i>SME lending QAR'000</i>	<i>Retail lending QAR'000</i>	<i>Real Estate Mortgage lending QAR'000</i>	<i>Total QAR'000</i>
Balance at 1 January	547,694	8,634	224,631	63,700	844,659
Foreign currency translation	-	-	(56)	-	(56)
Provisions made during the year	388,616	14,299	70,335	256	473,506
Recoveries during the year	(34,737)	(564)	(36,494)	(9,817)	(81,612)
Written off during the year	(14,414)	-	8,298	(223)	(6,339)
<b>Balance at 31 December 2013</b>	<b>887,159</b>	<b>22,369</b>	<b>266,714</b>	<b>53,916</b>	<b>1,230,158</b>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

11 INVESTMENT SECURITIES

The analysis of investment securities is detailed below:

	2014 QAR'000	2013 QAR'000
Available-for-sale	5,400,523	5,771,668
Investment securities classified as held for trading	36,541	-
Held-to-maturity*	4,138,559	6,109,454
	<u>9,575,623</u>	<u>11,881,122</u>
Impairment losses	(122,795)	(177,545)
Total	<u>9,452,828</u>	<u>11,703,577</u>

\*The Group has pledged State of Qatar Bonds amounting to QAR 136 million (2013: QAR 168 million) against repurchase agreements.

Available-for-sale

	2014		2013	
	Quoted QAR'000	Unquoted QAR'000	Quoted QAR'000	Unquoted QAR'000
Equities	819,520	70,048	854,239	70,048
State of Qatar debt securities	1,622,610	1,131,616	1,732,964	1,106,724
Other debt securities	1,631,633	10,133	1,878,915	9,689
Mutual funds	114,963	-	119,089	-
Less: Impairment losses	(99,696)	(8,905)	(142,725)	(6,643)
Total	<u>4,089,030</u>	<u>1,202,892</u>	<u>4,442,482</u>	<u>1,179,818</u>

Fixed rate securities and floating rate securities amounted to QAR 4,219 million and QAR 173 million respectively as of 31 December 2014 (2013: QAR 4,673 million and QAR 55 million respectively).

Investment securities classified as held for trading

The investment securities classified as held for trading comprise of quoted bonds amounted to QR 31.3 million and quoted equities amounted to QR 5.2 million.

Held-to-maturity

	2014		2013	
	Quoted QAR'000	Unquoted QAR'000	Quoted QAR'000	Unquoted QAR'000
<b>-By issuer</b>				
State of Qatar debt securities	1,687,635	1,744,891	2,046,358	3,857,346
Other debt securities	169,618	536,415	169,335	36,415
Less: Impairment losses	(14,194)	-	(28,177)	-
Total	<u>1,843,059</u>	<u>2,281,306</u>	<u>2,187,516</u>	<u>3,893,761</u>
<b>-By interest rate</b>				
Fixed rate securities	1,814,388	2,281,306	2,157,693	3,893,761
Floating rate securities	42,865	-	58,000	-
Less: Impairment losses	(14,194)	-	(28,177)	-
Total	<u>1,843,059</u>	<u>2,281,306</u>	<u>2,187,516</u>	<u>3,893,761</u>

The fair value of held-to-maturity investments amounted to QAR 4,211 million at 31 December 2014 (2013: QAR 6,185 million).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

**11 INVESTMENT SECURITIES (continued)****Movement in impairment losses on investment securities**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Balance at 1 January	177,545	204,377
Provision for impairment loss during the year	30,174	10,769
Transferred to consolidated income statement on disposal	<u>(84,924)</u>	<u>(37,601)</u>
<b>Balance at 31 December</b>	<b><u>122,795</u></b>	<b><u>177,545</u></b>

**12 INVESTMENT IN AN ASSOCIATE**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Balance at 1 January	9,382	10,532
Foreign currency translation	(180)	(1,180)
Share of results	42	143
Cash dividend	<u>-</u>	<u>(113)</u>
<b>Balance at 31 December</b>	<b><u>9,244</u></b>	<b><u>9,382</u></b>

The financial position and results of the associates based on audited financial statements, as at and for the year ended 31 December is as follows:

<b>31 December</b>	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Total assets	<u>38,356</u>	<u>42,746</u>
Total liabilities	<u>17,355</u>	<u>21,431</u>
Total revenue	<u>9,969</u>	<u>10,816</u>
Net profit	<u>95</u>	<u>324</u>
Share of net profit	<u>42</u>	<u>143</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

## 13 PROPERTY, FURNITURE AND EQUIPMENT

	<i>Land and buildings QAR'000</i>	<i>Leasehold improvements QAR'000</i>	<i>Furniture and equipment QAR'000</i>	<i>Vehicles QAR'000</i>	<i>Total QAR'000</i>
<b>At 31 December 2014</b>					
<b>Cost:</b>					
Balance at 1 January	768,420	130,306	349,036	12,740	1,260,502
Additions/ transfers	-	16,598	68,221	341	85,160
Disposals	-	(318)	(20)	(545)	(883)
	<u>768,420</u>	<u>146,586</u>	<u>417,237</u>	<u>12,536</u>	<u>1,344,779</u>
<b>Depreciation:</b>					
Balance at 1 January	130,947	97,305	261,968	10,811	501,031
Depreciation	31,796	12,606	38,407	766	83,575
Disposals	-	(318)	-	(520)	(838)
	<u>162,743</u>	<u>109,593</u>	<u>300,375</u>	<u>11,057</u>	<u>583,768</u>
<b>Net Book Value</b>	<u>605,677</u>	<u>36,993</u>	<u>116,862</u>	<u>1,479</u>	<u>761,011</u>
	<i>Land and buildings QAR'000</i>	<i>Leasehold improvements QAR'000</i>	<i>Furniture and equipment QAR'000</i>	<i>Vehicles QAR'000</i>	<i>Total QAR'000</i>
<b>At 31 December 2013</b>					
<b>Cost:</b>					
Balance at 1 January	742,485	118,253	342,488	12,639	1,215,865
Additions/ transfers	25,935	13,065	7,259	445	46,704
Disposals	-	(1,012)	(711)	(344)	(2,067)
	<u>768,420</u>	<u>130,306</u>	<u>349,036</u>	<u>12,740</u>	<u>1,260,502</u>
<b>Depreciation:</b>					
Balance at 1 January	99,631	85,288	226,147	9,977	421,043
Depreciation	31,316	12,850	36,531	1,176	81,873
Disposals	-	(833)	(710)	(342)	(1,885)
	<u>130,947</u>	<u>97,305</u>	<u>261,968</u>	<u>10,811</u>	<u>501,031</u>
<b>Net Book Value</b>	<u>637,473</u>	<u>33,001</u>	<u>87,068</u>	<u>1,929</u>	<u>759,471</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

**14 OTHER ASSETS**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Interest receivable	136,611	214,750
Prepaid expenses	99,819	134,653
Repossessed collaterals*	31,415	31,415
Positive fair value of derivatives (Note 34)	38,129	58,853
Deferred tax asset	30,150	17,819
Sundry debtors	1,266	1,138
Others	<u>445,245</u>	<u>313,469</u>
	<u>782,635</u>	<u>772,097</u>

\*This represents the value of the properties acquired in settlement of debts which are stated at their acquisition value. The estimated market values of these properties as at 31 December 2014 are not materially different from the carrying values.

**15 DUE TO BANKS**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Balances due to central banks	196,912	98,467
Current accounts	582,740	636,082
Certificate of deposits	400,000	-
Short-term loan from banks*	<u>11,615,083</u>	<u>6,985,232</u>
	<u>12,794,735</u>	<u>7,719,781</u>

\*Includes amount held under repurchase agreements amounting to QAR 106 million (2013: QAR 144 million).

**16 CUSTOMER DEPOSITS****By type**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Current and call deposits	12,047,947	10,238,013
Saving deposits	2,330,511	1,876,042
Time deposits	<u>31,568,117</u>	<u>30,408,434</u>
	<u>45,946,575</u>	<u>42,522,489</u>

**By sector**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Government and semi government agencies	16,970,410	14,709,153
Individuals	9,383,256	8,745,595
Corporates	17,356,088	17,265,296
Non-banking financial institutions	<u>2,236,821</u>	<u>1,802,445</u>
	<u>45,946,575</u>	<u>42,522,489</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

**17 DEBT SECURITIES**

The Group has issued subordinated debt notes and senior guaranteed notes as follows:

	2014 QAR'000	2013 QAR'000
Subordinated debt notes (a)	772,092	771,447
Senior guaranteed notes (b)	<u>1,810,386</u>	<u>1,804,384</u>
	<u>2,582,478</u>	<u>2,575,831</u>

*Note (a)*

On 12 December 2006, the Group issued US\$ 340 million subordinated floating rate step up notes at a nominal value of US\$ 100,000 per note. The notes mature in 2016 and carry interest at three months US\$ LIBOR plus 1.32% per annum payable.

*Note (b)*

On 14 March 2012, the Group issued US\$ 500 million senior guaranteed notes at 98.964% of the nominal value. The notes have a minimum nominal denomination of US\$ 200,000. The notes mature in 2017 and carry interest at fixed rate of 3.50% payable semi-annually.

**18 OTHER BORROWINGS**

	2014 QAR'000	2013 QAR'000
Term loan facility	<u>727,681</u>	<u>455,188</u>

The table below shows the maturity profile of other borrowings.

	2014 QAR'000	2013 QAR'000
Up to 1 year	181,638	182,075
Between 1 and 3 years	<u>546,043</u>	<u>273,113</u>
	<u>727,681</u>	<u>455,188</u>

**19 OTHER LIABILITIES**

	2014 QAR'000	2013 QAR'000
Interest payable	130,009	118,663
Accrued expense payable	95,161	90,295
Provision for end of service benefits (Note-i)	193,505	171,864
Staff provident fund	89,324	79,508
Tax payable	22,866	10,568
Negative fair value of derivatives ( Note 34)	52,686	19,010
Unearned income	59,187	48,053
Cash margins	275,061	296,676
Dividend payable	41,207	23,148
Unclaimed balances	10,352	8,731
Proposed transfer to social and sport fund	33,966	32,816
Others*	<u>1,170,016</u>	<u>1,526,300</u>
<b>Total</b>	<u>2,173,340</u>	<u>2,425,632</u>

\*This includes acceptances pertaining to trade finance amounting to QAR 565.2 million (2013: QAR 1,040.3 million).

**19 OTHER LIABILITIES (continued)***Note-i***Provision for end of service benefits**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Balance at 1 January	171,864	147,675
Provision for the year	38,292	32,484
Provisions used during the year	<u>(16,651)</u>	<u>(8,295)</u>
<b>Balance at 31 December</b>	<b><u>193,505</u></b>	<b><u>171,864</u></b>

**20 EQUITY****a. Share capital**

	<i>Ordinary shares</i>	
	<i>2014</i>	<i>2013</i>
<i>In thousands of shares</i>		
On issue at the beginning of the reporting period	258,372	206,698
New shares issued	<u>-</u>	<u>51,674</u>
<b>On issue at 31 December</b>	<b><u>258,372</u></b>	<b><u>258,372</u></b>

At 31 December 2014, the authorised share capital comprised 258,372 thousands ordinary shares (2013:258,372 thousands ). These instruments have a par value of QAR 10. All issued shares are fully paid.

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

**b. Legal reserve**

In accordance with Qatar Central Bank's Law No. 13 of 2012, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 5 of 2002 and is subject to the approval of QCB.

The legal reserve includes share premium received on issuance of new shares in accordance with Qatar Commercial Companies Law (5) of 2002.

**c. Risk reserve**

In accordance with the Qatar Central Bank regulations, a minimum requirement of 2.5% of the net loans and advances to customers except for facilities granted to Government, is required as risk reserve to cover any contingencies.

For the year ended 31 December 2014 the Group has transferred QAR 179 million (2013: QAR 187 million) into the risk reserve which is 2.5% of the net loans and advances to customers except for facilities granted to Government.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 20 EQUITY (continued)

## d. Fair value reserve

This reserve comprises the fair value changes recognised on available-for-sale financial assets..

	2014 QAR'000	2013 QAR'000
Balance at 1 January	(43,355)	126,856
Net unrealized gain (losses) on available-for-sale investment securities	65,816	(78,357)
Reclassified to consolidated statement of income	<u>(80,035)</u>	<u>(91,854)</u>
<b>Balance at 31 December</b>	<b><u>(57,574)</u></b>	<b><u>(43,355)</u></b>

## e. Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

## f. Proposed dividend

The Board of Directors of the Group has proposed a cash dividend of 40% of paid up share capital amounting to QAR 1,033.5 million - QAR 4.00 per share (2013: 45% of paid up share capital amounting to QAR 1,162.7 million - QAR 4.50 per share) which is subject to approval at the Annual General Meeting of the shareholders.

## g. Instrument eligible as additional capital

During the year 2013, the Group issued regulatory Tier 1 capital notes amounting to QAR 2 billion. The notes are perpetual, subordinated, unsecured and have been issued at a fixed interest rate for the first six years and on a floating rate basis thereafter. The Bank can elect not to pay a coupon at its own discretion. Note holders will not have a right to claim the coupon and the event is not considered an event of default. The notes carry no maturity date and have been classified under equity.

## 21 INTEREST INCOME

	2014 QAR'000	2013 QAR'000
Balance with central banks	10,551	3,069
Due from banks and non-banking financial institutions	121,637	95,667
Debt securities	365,499	460,398
Loans and advances to customers	<u>2,009,548</u>	<u>1,835,328</u>
	<b><u>2,507,235</u></b>	<b><u>2,394,462</u></b>

## 22 INTEREST EXPENSE

	2014 QAR'000	2013 QAR'000
Due to banks	74,539	73,815
Customer deposits	414,787	422,151
Debt securities	<u>76,627</u>	<u>76,245</u>
	<b><u>565,953</u></b>	<b><u>572,211</u></b>

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At 31 December 2014

**23 FEE AND COMMISSION INCOME**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Credit related fees	157,239	83,964
Brokerage fees	668	1,540
Bank services fee	175,732	133,601
Commission on unfunded facilities	172,802	173,762
Others	<u>15,823</u>	<u>16,286</u>
	<u>522,264</u>	<u>409,153</u>

**24 FEE AND COMMISSION EXPENSE**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Bank fees	1,123	1,069
Others	<u>5,099</u>	<u>2,737</u>
	<u>6,222</u>	<u>3,806</u>

**25 FOREIGN EXCHANGE GAIN**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Dealing in foreign currencies	19,300	25,953
Revaluation of assets and liabilities	94,335	57,862
Revaluation of derivative financial instruments	<u>(16,490)</u>	<u>4,839</u>
	<u>97,145</u>	<u>88,654</u>

**26 INCOME FROM INVESTMENT SECURITIES**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Net gains on investment securities	185,349	122,136
Dividend income	<u>36,224</u>	<u>26,958</u>
	<u>221,573</u>	<u>149,094</u>

**27 OTHER OPERATING INCOME**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Recoveries from the loans and advances to customers previously written-off	27,407	33,234
Rental income	13,300	14,149
Others	<u>21,326</u>	<u>11,070</u>
	<u>62,033</u>	<u>58,453</u>

Doha Bank Q.S.C.

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At 31 December 2014

**28 STAFF COSTS**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Staff cost	470,894	412,514
Staff pension fund costs	11,183	9,899
End of service benefits	38,292	32,484
Training	<u>3,120</u>	<u>3,316</u>
	<u>523,489</u>	<u>458,213</u>

**29 OTHER EXPENSES**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Advertising	34,528	28,164
Professional fees	27,103	20,242
Communication and insurance	46,636	38,103
Board of Directors' remuneration	17,109	14,207
Occupancy and maintenance	79,956	70,867
Computer and IT costs	29,552	20,360
Printing and stationary	14,457	14,223
Travel and entertainment costs	7,466	8,886
Others	<u>156,236</u>	<u>139,484</u>
	<u>413,043</u>	<u>354,536</u>

**30 TAX EXPENSE**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
<b>Current tax expense</b>		
Current year	24,367	10,993
Adjustments for prior years	<u>(455)</u>	<u>673</u>
	23,912	11,666
<b>Deferred tax expense</b>		
Temporary differences	<u>(12,332)</u>	<u>(6,559)</u>
	<u>(12,332)</u>	<u>(6,559)</u>
<b>Total tax expense</b>	<u>11,580</u>	<u>5,107</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

**31 BASIC AND DILUTED EARNINGS PER SHARE**

Earnings per share of the Group is calculated by dividing profit for the year attributable to the equity holders (further adjusted for interest expense on tier 1 capital notes) of the Bank by the weighted average number of ordinary shares in outstanding during the year:

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Profit for the year attributable to the equity holders of the Group	1,358,658	1,312,652
Deduct : Interest on Tier 1 capital notes	<u>(120,000)</u>	<u>-</u>
Net profit attributable to equity holders of the Group	1,238,658	1,312,652
Weighted average number of outstanding shares	<u>258,372</u>	<u>248,363</u>
<b>Earnings per share (QAR)</b>	<u>4.79</u>	<u>5.29</u>

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

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Weighted average number of shares at 1 January	258,372	206,698
Effect of rights issue	<u>-</u>	<u>41,665</u>
Weighted average number of shares at 31 December	<u>258,372</u>	<u>248,363</u>

**32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
<b>Contingent liabilities</b>		
Unused facilities	9,533,640	6,132,747
Guarantees	20,231,382	17,779,104
Letters of credit	3,058,424	2,786,771
Others	<u>491,547</u>	<u>894,139</u>
<b>Total</b>	<u>33,314,993</u>	<u>27,592,761</u>
<b>Other commitments</b>		
Forward foreign exchange contracts	5,527,793	3,233,755
Interest rate swaps	<u>746,508</u>	<u>711,549</u>
<b>Total</b>	<u>6,274,301</u>	<u>3,945,304</u>

**Unused facilities**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

**32 CONTINGENT LIABILITIES AND OTHER COMMITMENTS (continued)****Guarantees and Letters of credit**

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

**Lease commitments**

The Group has entered into commercial leases on certain buildings. These leases have an average duration between three and five years. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments under non-cancellable leases as at December 31 are as follow:

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Less than one year	15,651	9,416
Between one and five years	18,869	26,308
More than five years	<u>5,216</u>	<u>3,496</u>
	<u>39,736</u>	<u>39,220</u>

**33 CASH AND CASH EQUIVALENTS**

	<i>2014</i> <i>QAR'000</i>	<i>2013</i> <i>QAR'000</i>
Cash and balances with central banks	1,744,830	1,635,230
Due from banks and other financial institutions maturing within 3 months	<u>8,354,243</u>	<u>6,663,149</u>
	<u>10,099,073</u>	<u>8,298,379</u>

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

Doha Bank (Q.S.C.)

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At 31 December 2014

34 DERIVATIVES

	Positive fair value QAR'000	Negative fair value QAR'000	Notional Amount QAR'000	Notional / expected amount by term to maturity			
				within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
<b>At 31 December 2014:</b>							
<b>Derivatives held for trading:</b>							
Forward foreign exchange contracts	26,152	42,642	5,527,793	4,854,157	673,636	-	-
<b>Derivatives held for fair value hedges:</b>							
Interest rate swaps	11,977	10,044	746,508	-	29,132	183,532	533,844

	Positive fair value QAR'000	Negative fair value QAR'000	Notional Amount QAR'000	Notional / expected amount by term to maturity			
				within 3 months QAR'000	3 - 12 months QAR'000	1-5 years QAR'000	More than 5 years QAR'000
<b>At 31 December 2013:</b>							
<b>Derivatives held for trading:</b>							
Forward foreign exchange contracts	19,844	15,005	3,233,755	3,233,755	-	-	-
<b>Derivatives held for fair value hedges:</b>							
Interest rate swaps	39,009	4,005	711,549	-	-	176,613	534,936

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

**35 RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, Related parties include entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group. The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

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

	<u>2014</u>		<u>2013</u>	
	<i>Board of directors</i> <i>QAR'000</i>	<i>Others</i> <i>QAR'000</i>	<i>Board of directors</i> <i>QAR'000</i>	<i>Others</i> <i>QAR'000</i>
<b>Assets:</b>				
Loans and advances to customers	1,033,716	-	1,350,905	-
<b>Liabilities:</b>				
Customer deposits	428,893	1,033	379,284	1,421
<b>Unfunded items:</b>				
Contingent liabilities and other commitments	998,929	-	621,880	-
<b>Income statement items:</b>				
Interest, commission and other income	25,658	-	44,678	-
Interest, commission and other expense	10,027	234	7,389	24

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

Key management personnel compensation for the year comprised:

	<u>2014</u> <u>QAR'000</u>	<u>2013</u> <u>QAR'000</u>
Salaries and other benefits	58,742	57,288
End of service indemnity benefits and provident fund	7,403	4,340
	<u>66,145</u>	<u>61,628</u>

**36 INDIAN OPERATION**

During the year, the Group has transferred the Minimum Statutory Capital for its Mumbai branch in India as required by the Reserve Bank of India. The branch has commenced its banking business in India with effect from 10 June 2014.

In addition, the Group has entered into an agreement with HSBC Bank Oman S.A.O.G for the purchase of the bank's India operation with its two branches subject to the relevant regulatory approvals.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37 FINANCIAL STATEMENTS OF THE PARENT

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

Statement of Financial Position – Parent Bank

As at 31 December	2014 QAR'000	2013 QAR'000
<b>ASSETS</b>		
Cash and balances with central banks	3,706,541	3,435,761
Due from banks	12,152,721	9,124,582
Loans and advances to customers	48,558,521	41,109,116
Investment securities	9,461,916	11,715,629
Investment in an associate	9,244	9,382
Property, furniture and equipment	760,532	758,931
Other assets	692,858	700,913
<b>TOTAL ASSETS</b>	<b>75,342,333</b>	<b>66,854,314</b>
<b>LIABILITIES</b>		
Due to banks	12,794,735	7,719,781
Customer deposits	45,952,676	42,557,018
Debt securities	2,582,478	2,575,831
Other borrowings	727,681	455,188
Other liabilities	2,036,301	2,309,566
<b>TOTAL LIABILITIES</b>	<b>64,093,871</b>	<b>55,617,384</b>
<b>EQUITY</b>		
Share capital	2,583,723	2,583,723
Legal reserve	4,304,339	4,304,339
Risk reserve	1,140,000	960,650
Fair value reserves	(57,695)	(43,377)
Foreign currency translation reserve	(10,595)	(4,647)
Proposed dividend	1,033,489	1,162,675
Retained earnings	255,201	273,567
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK</b>	<b>9,248,462</b>	<b>9,236,930</b>
Instrument eligible as additional capital	2,000,000	2,000,000
<b>TOTAL EQUITY</b>	<b>11,248,462</b>	<b>11,236,930</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>75,342,333</b>	<b>66,854,314</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2014

## 37 FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

## SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (continued)

## Income Statement – Parent Bank

For the year ended 31 December	2014 QAR'000	2013 QAR'000
Interest income	2,507,235	2,394,462
Interest expense	<u>(566,113)</u>	<u>(572,616)</u>
<b>Net interest income</b>	<b>1,941,122</b>	<b>1,821,846</b>
Fee and commission income	522,264	409,153
Fee and commission expense	<u>(6,222)</u>	<u>(3,806)</u>
<b>Net fee and commission income</b>	<b>516,042</b>	<b>405,347</b>
Foreign exchange gain	97,145	88,654
Income from investment securities	218,415	142,693
Other operating income	<u>59,086</u>	<u>59,386</u>
	<b>374,646</b>	<b>290,733</b>
<b>Net operating income</b>	<b>2,831,810</b>	<b>2,517,926</b>
Staff costs	(511,973)	(445,489)
Depreciation and amortisation	(83,363)	(80,839)
Impairment loss on investment securities and due from banks	(30,174)	(10,769)
Net impairment loss on loans and advances to customers	(439,149)	(318,158)
Other expenses	<u>(408,254)</u>	<u>(349,306)</u>
	<b>(1,472,913)</b>	<b>(1,204,561)</b>
<b>Profit for the year before tax</b>	<b>1,358,897</b>	<b>1,313,365</b>
Tax expense	<u>(10,498)</u>	<u>(4,682)</u>
<b>Profit for the year</b>	<b>1,348,399</b>	<b>1,308,683</b>