

Qatar International Islamic Bank (Q.S.C)

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QATAR INTERNATIONAL ISLAMIC BANK (Q.S.C)

We have audited the accompanying consolidated financial statements of Qatar International Islamic Bank Q.S.C ("QIIB" or the "Bank") and its subsidiary (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2013, consolidated statement of income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a Rules and Principles are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Basis of opinion

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

Opinion


In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2012 were audited by another auditor whose report dated 22 January 2013 expressed unmodified audit opinion on those statements.

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 Qatar Commercial Companies Law No. 5 of 2002 and the applicable provisions of Qatar Central Bank regulations and Law No 13 of 2012 during the financial year that would have materially affected the Group's activities or its financial position.


Firas Qoussous
of Ernst & Young
Auditor's Registration No. 236

Date: 23 January 2014
Doha
State of Qatar



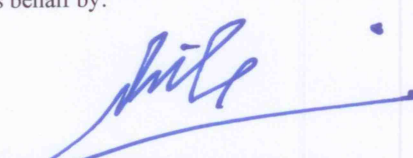
Qatar International Islamic Bank (Q.S.C)

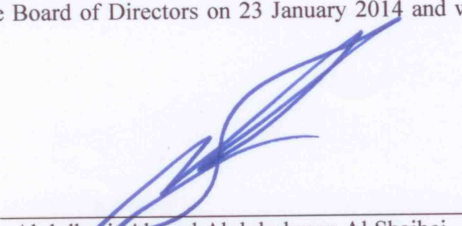
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 QR'000	2012 QR'000
Assets			
Cash and balances with Qatar Central Bank	8	1,669,322	1,354,077
Due from banks	9	4,848,530	5,449,574
Financing assets	10	19,021,017	14,675,110
Investment securities	11	6,760,380	5,004,119
Investment in associates	12	371,536	381,991
Investment properties	13	972,351	1,165,036
Fixed assets	14	402,206	209,780
Other assets	15	376,124	319,353
Total assets		34,421,466	28,559,040
Liabilities, equity of unrestricted investment account holders and shareholders' equity			
Liabilities			
Due to banks	16	1,395,999	814,667
Customers' current accounts	17	5,670,809	5,639,496
Sukuk financing	18	2,542,082	2,540,338
Other liabilities	19	479,424	356,963
Total liabilities		10,088,314	9,351,464
Equity of unrestricted investment account holders	20	19,019,226	14,171,539
Shareholders' equity			
Share capital	21(a)	1,513,687	1,513,687
Legal reserve	21(b)	2,452,360	2,452,360
Risk reserve	21(c)	412,901	272,854
Fair value reserve	21(d)	183,302	107,176
Other reserves	21(e)	125,860	67,355
Proposed cash dividends	21(f)	567,633	529,790
Retained earnings		58,183	92,815
Total shareholders' equity		5,313,926	5,036,037
Total liabilities, equity of unrestricted investment account holders and shareholders' equity		34,421,466	28,559,040

These consolidated financial statements were approved by the Board of Directors on 23 January 2014 and were signed on its behalf by:


 Dr. Khaled bin Thani bin Abdullah Al Thani
 Chairman and Managing Director


 Abdulbasit Ahmed Abdulrahman Al Shaibei
 Chief Executive Officer

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

Qatar International Islamic Bank (Q.S.C)

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2013

	<i>Notes</i>	2013 QR'000	2012 QR'000
Net income from financing activities	22	950,132	782,831
Net income from investing activities	23	370,218	294,191
Total income from financing and investing activities		1,320,350	1,077,022
Fee and commission income		77,761	78,750
Fee and commission expense		(22,441)	(19,929)
Net fee and commission income	24	55,320	58,821
Net foreign exchange gains	25	17,007	10,995
Share of results of associates	12	65,379	36,493
Total income		1,458,056	1,183,331
Staff costs	26	(135,525)	(114,440)
Depreciation	13&14	(14,033)	(13,937)
Finance expenses		(77,469)	(28,007)
Other expenses	27	(87,820)	(60,927)
Total expenses		(314,847)	(217,311)
Net impairment loss on investment securities	11	(56,471)	(24,504)
Net impairment loss on financing assets	10	(9,593)	-
Foreign exchange loss on translation of investment in associates	12&21(g)	(68,960)	(40,853)
Net profit for the year before return to unrestricted investment account holders		1,008,185	900,663
Share of unrestricted investment account holders of profit	20	(257,874)	(221,638)
Net profit for the year		750,311	679,025
Earnings per share			
Basic and diluted earnings per share (QR per share)	31	4.96	4.49

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

Qatar International Islamic Bank (Q.S.C)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013

	<i>Notes</i>	<i>Share capital QR'000</i>	<i>Legal reserve QR'000</i>	<i>Risk reserve QR'000</i>	<i>Fair value reserve QR'000</i>	<i>Other reserves QR'000</i>	<i>Proposed cash dividends QR'000</i>	<i>Retained earnings QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2013		1,513,687	2,452,360	272,854	107,176	67,355	529,790	92,815	5,036,037
Fair value reserve movement		-	-	-	76,126	-	-	-	76,126
Net profit for the year		-	-	-	-	-	-	750,311	750,311
Total recognised income and expense for the year		-	-	-	76,126	-	-	750,311	826,437
Cash dividends paid to shareholders	21(f)	-	-	-	-	-	(529,790)	-	(529,790)
Net movement in other reserves	21(e)	-	-	-	-	58,505	-	(58,505)	-
Proposed cash dividends	21(f)	-	-	-	-	-	567,633	(567,633)	-
Social and sports fund appropriation	36	-	-	-	-	-	-	(18,758)	(18,758)
Transfer to risk reserve	21(c)	-	-	140,047	-	-	-	(140,047)	-
Balance at 31 December 2013		1,513,687	2,452,360	412,901	183,302	125,860	567,633	58,183	5,313,926

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

Qatar International Islamic Bank (Q.S.C)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

For the year ended 31 December 2013

	Notes	Share capital QR'000	Legal reserve QR'000	Risk reserve QR'000	Fair value reserve QR'000	Foreign currency translation reserve QR'000	Other reserves QR'000	Proposed cash dividends QR'000	Retained earnings QR'000	Total QR'000
Balance at 1 January 2012		1,513,687	2,452,360	167,869	107,309	(10,651)	32,896	529,790	100,000	4,893,260
Fair value reserve movement		-	-	-	(133)	-	-	-	-	(133)
Foreign currency translation reserve movement	21(g)	-	-	-	-	10,651	-	-	-	10,651
Net profit for the year		-	-	-	-	-	-	-	679,025	679,025
Total recognised income and expense for the year		-	-	-	(133)	10,651	-	-	679,025	689,543
Cash dividends paid to shareholders	21(f)	-	-	-	-	-	-	(529,790)	-	(529,790)
Net movement in other reserves	21(e)	-	-	-	-	-	34,459	-	(34,459)	-
Proposed cash dividends	21(f)	-	-	-	-	-	-	529,790	(529,790)	-
Social and sports fund appropriation	36	-	-	-	-	-	-	-	(16,976)	(16,976)
Transfer to risk reserve	21(c)	-	-	104,985	-	-	-	-	(104,985)	-
Balance at 31 December 2012		1,513,687	2,452,360	272,854	107,176	-	67,355	529,790	92,815	5,036,037

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

Qatar International Islamic Bank (Q.S.C)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	<i>Notes</i>	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Cash flows from operating activities			
Net profit for the year		750,311	679,025
<i>Adjustments for:</i>			
Net impairment loss on financing assets	10	9,593	-
Net impairment loss on investment securities	11	56,471	24,504
Foreign exchange loss on translation of investment in associate	12	68,960	17,699
Depreciation	13&14	14,033	13,937
Net gain on sale of investment securities	23	(28,395)	(12,539)
Dividend income	23	(5,714)	(11,297)
Share of results of associates	12	(65,379)	(36,493)
Sukuk amortization		1,744	337
Employees' end of service benefits	19	4,870	1,696
Net gain on disposal of investment properties		(42,042)	(12,992)
Gain on disposal of fixed assets		-	(130)
		764,452	663,747
Profit before changes in operating assets and liabilities			
Working capital changes:			
Cash reserve with Qatar Central Bank		(272,630)	(116,567)
Due from banks		364,151	132,855
Financing assets		(4,355,499)	(4,086,147)
Other assets		(56,771)	94,868
Due to banks		581,332	(546,770)
Customers' current accounts		31,313	1,687,477
Other liabilities		99,498	(695)
		(2,844,154)	(2,171,232)
Employees' end of service benefits paid		(664)	(3,131)
		(2,844,818)	(2,174,363)
Net cash flows used in operating activities			
Cash flows from investing activities			
Acquisition of investment securities		(3,518,339)	(2,988,638)
Proceeds from sale of investment securities		1,733,729	2,248,204
Acquisition of fixed assets	14	(69,347)	(34,438)
Proceeds from sale of fixed assets		-	159
Dividends received from associate company	12	6,874	2,034
Acquisitions of investment properties	13	(595)	(350,569)
Proceeds from sale of investment property		260,717	77,261
Dividends income	23	5,714	11,297
		(1,581,247)	(1,034,690)
Net cash flows used in investing activities			
Cash flows from financing activities			
Change in equity of unrestricted investment account holders		4,761,577	1,392,225
Proceeds from Sukuk financing		-	2,540,338
Dividends paid		(529,790)	(529,790)
		4,231,787	3,402,773
Net cash flows from financing activities			
Net (decrease) increase in cash and cash equivalents			
		(194,278)	193,720
Cash and cash equivalents at 1 January		5,180,277	4,986,557
Cash and cash equivalents at 31 December	32	4,985,999	5,180,277

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

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

1 REPORTING ENTITY

Qatar International Islamic Bank (Q.S.C) (“QIIB” or “the Bank”) was incorporated under Amiri Decree No. 52 of 1990. The Bank operates through its head office located in Grand Hamad Street in Doha and 16 local branches. The Bank is listed and its shares are traded on the Qatar Exchange.

The commercial registration number of the Bank is 13023. The address of the Bank’s registered office is Doha, State of Qatar, P.O.Box 664. The consolidated financial statements of the Bank for the year ended 31 December 2013 comprise the Bank and its following special purpose entity:

	<i>Country of incorporation</i>	<i>Capital QR'000</i>	<i>Principal Business Activities</i>	<i>Effective percentage of ownership</i>	
				<i>2013</i>	<i>2012</i>
QIIB Sukuk Ltd (i)	Cayman Islands	-	Sukuk issuance	-	-

Note:

- (i) QIIB Sukuk Ltd, was incorporated in the Cayman Islands as an exempted company with limited liability for sole purpose of Sukuk issuance for the benefit of QIIB.

The Bank is engaged in banking, financing and investing activities in accordance with its Articles of Incorporation, Islamic Shari’a rules and principles as determined by the Shari’a Supervisory Board of the Bank and regulations of Qatar Central Bank.

The consolidated financial statements of the Group for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 23 January 2014.

2 BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Financial Accounting Standards (“FAS”) issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (“AAOIFI”), the Islamic Shari’a Rules and Principles as determined by the Shari’a Supervisory Board of the Group, the applicable provisions of Qatar Central Bank (“QCB”) regulations and the applicable provisions of the Qatar Commercial Company’s Law No. 5 of 2002. In line with the requirements of AAOIFI, for matters that are not covered by FAS, the Group uses guidance from the relevant International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for investment securities classified as “Investments at fair value through equity”, “Investments at fair value through income statement” and investment properties held for capital appreciation that have been measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals (“QAR”), which is the Bank’s functional and presentational currency. Except as otherwise indicated, financial information presented in QAR has been rounded to the nearest thousands.

(d) Use of estimates and judgments

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

- The activities of the SPE are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the SPE's operation;
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers;
- The Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE;
- The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

(ii) Associates

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

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of income; its share of post-acquisition movements in reserve is recognised in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the 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.

The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the carrying value and recognises the amount in the consolidated statement of income.

Intergroup gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Intragroup losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For preparation of these consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used. Dilution gains and losses in associates are recognised in the consolidated statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Associates (continued)

The Group's share of the results of associates is based on financial statements available up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform to the accounting policies of the Group.

The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

(b) Foreign currency

Foreign currency transactions and balances

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

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

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

Investments in associate companies are translated into Qatari Riyals at the rates ruling at the reporting date. The income or loss is translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to the foreign exchange loss on translation of investment in associates within the consolidated statement of income.

(c) Investment securities

Investment securities comprise investments in debt-type and equity-type financial instruments.

(i) Classification

Debt-type instruments are investments that have terms that provide fixed or determinable payments of profits and capital. Equity-type instruments are investments that do not exhibit features of debt-type instruments and include instruments that evidence a residual interest in the assets of an entity after deducting all its liabilities.

Debt-type instruments

Investments in debt-type instruments are classified into the following categories: 1) at amortised cost or 2) at fair value through statement of income.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

(i) Classification (continued)

Equity-type instruments

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

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

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

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

On initial recognition, the Group makes an irrevocable election to designate certain equity instruments that are not designated at fair value through income statement to be classified as investments at fair value through equity.

(ii) Recognition and derecognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument. Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

Investment securities are initially recognised at fair value plus transaction costs, except for transaction costs incurred to acquire investments at fair value through income statement which are charged to consolidated statement of income.

Subsequent measurement

Investments at fair value through income statement are re-measured at fair value at the end of each reporting period and the resultant re-measurement gains or losses is recognised in the consolidated statement of income in the period in which they arise. Subsequent to initial recognition, investments classified at amortised cost are measured at amortised cost using the effective profit method less any impairment allowance. All gains or losses arising from the amortisation process and those arising on de-recognition or impairment of the investments, are recognised in the consolidated statement of income.

Investments at fair value through equity are re-measured at their fair values at the end of each reporting period and the resultant gain or loss, arising from a change in the fair value of investments are recognised in the consolidated statement of changes in equity and presented in a separate fair value reserve within equity. When the investments classified as fair value through equity are sold, impaired, collected or otherwise disposed of, the cumulative gain or loss previously recognised in the consolidated statement of changes in equity is transferred to the consolidated statement of income.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

(iv) Measurement principles

Amortised cost measurement

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

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market bid price for that instrument at the close of business on the consolidated statement of financial position date. For investment where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument, which is substantially the same or is based on the assessment of future cash flows. The cash equivalent values are determined by the Group by discounting future cash flows at current profit rates for contracts with similar term and risk characteristics.

(d) Financing assets

Financing assets comprise Shari'a compliant financing provided by the Group with fixed or determinable payments. These include financing provided through Murabaha, Mudaraba, Musharaka, Musawama, Ijarah, Istisn'a and other modes of Islamic financing. Financing assets are stated at their amortised cost less impairment allowances (if any).

Murabaha and Musawama

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

Based on QCB instructions, The Group applies the rule of binding the purchase orderer to its promise in the Murabaha sale, and not enters into any Murabaha transaction in which the purchase orderer does not undertake to accept the goods if they meet the specifications.

Mudaraba and Musharaka

Mudaraba and Musharaka financing are partnerships in which the Group contributes the capital in Mudaraba, and capital and work in Musharaka. These contracts are stated at fair value of consideration given less impairment allowance (if any).

Ijarah

Ijarah receivables arise from financing structures when the purchase and immediate lease of an asset are at cost plus an agreed profit (in total forming fair value). The amount is settled on a deferred payment basis. Ijarah receivables are carried at the aggregate of the minimum lease payments, less deferred income (in total forming amortised cost) and impairment allowance (if any).

Istisn'a

Istisn'a is a sales contract in which the Group acts as 'al-sani' (a seller) with an 'al-mustasni' (a purchaser) and undertakes to manufacture or otherwise acquire a product based on the specification received from the purchaser, for an agreed upon price.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customers' current accounts, due to banks, Sukuk financing and certain other assets and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument.

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

After initial measurement, other financial assets and liabilities are subsequently measured at amortised cost using the effective profit rate method net of any amounts written off and provision for impairment.

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

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 consolidated statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of income.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

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

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

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

(iii) Offsetting

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of financial assets

The Group assesses at each statement of financial position date whether there is objective evidence that an asset is impaired. Objective evidence that financial assets (including equity-type investments) are impaired can include default or delinquency by a counterparty / investee, restructuring of financing facility or advance by the Group on terms that the Group would not otherwise consider, indications that a counterparty or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of counterparty or issuers in the group, or economic conditions that correlate with defaults in the group. In addition, for an investment in equity-type instruments, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Equity-type investments classified as fair value through equity

In the case of equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired. If any such evidence exists for equity-type investments classified as fair value through equity, the cumulative loss previously recognised in the consolidated statement of changes in equity is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity-type investments are subsequently reversed through equity.

Financial assets carried at amortised cost (including investment in debt-type instruments classified as amortised cost).

For financial assets carried at amortised cost, impairment is measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective profit rate. Losses are recognised in consolidated statement of income and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated statement of income, to the extent of previously recognised impairment losses. The Group considers evidence of impairment for financial assets carried at amortised cost at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping assets together with similar risk characteristics.

(g) Cash and cash equivalents

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

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

(h) Investment properties

Investment properties held for rental, or for capital appreciation purposes, or both, are classified as investment property.

Investment properties held for rental purposes are stated at cost less depreciation and impairment. Depreciation is provided in accordance with the rates of depreciation applied to property and equipment.

Investment properties held capital appreciation purposes are recognized at fair value on an individual aggregated basis. Unrealized gain from changes in fair value is included in fair value reserve in equity and unrestricted investments account, until the investment is sold or determined as or impaired at which time, the Bank will then convert profits or losses previously included within the equity and unrestricted investment accounts to the statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Fixed assets

(i) Recognition and measurement

Items of fixed assets are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. 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 assets and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of fixed asset have different useful lives, they are accounted for as separate items (major components) of fixed assets.

The gain or loss on disposal of an item of fixed asset is determined by comparing the proceeds from disposal with the carrying amount of the item of fixed assets, and is recognised in other income/other expenses in the consolidated statement of income.

(ii) Subsequent costs

The cost of replacing a component of fixed asset 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 fixed assets are recognised in consolidated statement of income as incurred.

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

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

	<i>Years</i>
Buildings	20
IT equipments	3-5
Fixtures and fittings	5-7
Motor vehicles	5

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

Repairs and maintenance expenses are charged to the statement of income when incurred.

Renewals and improvement expenses concerning the Bank's rented building are amortized during the estimated life, or to the end of leasing contract, whichever is earlier.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Customer current accounts

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

(k) Equity of unrestricted investment account holders

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

The Bank charges a management fee (Mudarib fees) to unrestricted investment account holders. Of the total income from unrestricted investment accounts, the income attributable to account holders is allocated to investment accounts after setting aside provisions and deducting the Group's share of income as a Mudarib. The allocation of income is determined by the management of the Group within the allowed profit sharing limits as per the terms and conditions of the unrestricted investment accounts.

(l) Distribution of profit between equity of unrestricted investment account holders and shareholders

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

- Net profit is arrived at after taking into account all income and expenses at the end of the financial year, and is distributed between unrestricted investment account holders and shareholders.
- The share of profit of unrestricted investment account holders is calculated on the basis of their daily deposit balances over the year, after reducing the Group's agreed and declared Mudaraba fee.
- In case of any expense or loss, which arises out of negligence on the part of the Group due to non-compliance with QCB regulations and instructions, then such expenses or loss, shall not be borne by the unrestricted investment account holders. Such matter is subject to the QCB decision.
- In case the results of the Group at the yearend are net losses, then QCB, being the authority responsible for determining the Bank's accountability for these losses, shall decide how these shall be treated without violation to the Islamic Shari'a rules.
- Due to pooling of unrestricted investment funds with the Group's funds for the purpose of investment, no priority has been given to either party in the appropriation of profit.

(m) Sukuk financing

Sukuk financing represents common shares in the ownership of assets or benefits or services which bears fixed semi-annual profit and mature after 5 years from issuance date. Profits are recognised periodically till maturity. Sukuks are recognised at amortised cost. Sukuks are disclosed as a separate line in the consolidated financial statements as "Sukuk financing".

(n) Provisions

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly and the restructuring plan will cause losses to the Group. Future operating losses are not provided for.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Employees' end of service benefits

The Group provides a provision for all end of service benefits payable to employees in accordance with the Group's policies, calculated on the basis of individual employee's salary and period of service at the reporting date.

(q) Share capital and reserves

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

(r) Revenue recognition

Murabaha and Musawama

Profit from Murabaha and Musawama transactions is recognised when the income is both contractually determinable and quantifiable at the commencement of the transaction. Such income is recognised on a time-apportioned basis over the period of the transaction. Where the income from a contract is not contractually determinable or quantifiable, it is recognised when the realisation is reasonably certain or when actually realised. Income related to non-performing accounts is excluded from the consolidated statement of income.

Mudaraba

Income on Mudaraba financing is recognised when the right to receive payment is established or on distribution by the Mudarib, whereas losses are charged to the consolidated statement of income on declaration by the Mudarib.

In case Mudaraba capital is lost or damaged prior to the inception of work without misconduct or negligence on the part of Mudarib, then such losses are deducted from Mudaraba capital and are treated as loss to the Group. In case of termination or liquidation, unpaid portion by Mudarib is recognized as receivable due from Mudarib.

Musharaka

Income on Musharaka financing is recognised when the right to receive payments is established or on distribution.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

Ijara

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

Istisn'a

Revenue and the associated profit margin are recognised in the Group's consolidated statement of income according to the percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Group's estimated cost. The Group's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

Income from Wakala placements is recognised on a time apportioned basis so as to yield a constant periodic rate of return based on the balance outstanding.

Income from investment banking services

Income from investment banking services (presented in fee and commission income), including placement, advisory, marketing and performance fees, is recognised as per contractual terms when the service is provided and income is earned. This is usually when the Group has performed all significant acts in relation to a transaction and it is highly probable that the economic benefits from the transaction will flow to the Group. Significant acts in relation to a transaction are determined based on the terms agreed in the contracts for each transaction. The assessment of whether economic benefits from a transaction will flow to the Group is based on the extent of binding firm commitments received from other parties.

Fees and commission income

Fees and commission income that are integral to the effective profit rate on a financial asset carried at amortised cost are included in the measurement of the effective profit rate of the financial asset. Other fees and commission income, including account servicing fees, sales commission, management, arrangement and syndication fees, are recognised as the related services are performed.

Dividend income

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

(s) Earnings per share

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

(t) Segment reporting

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Earnings prohibited by Shari'a

The Group is committed to avoid recognising any income generated from non- Sharia' compliance sources. Accordingly, all non-Shari'a compliance income is credited to a charity account where the Group uses these funds for charitable purposes as defined by the Sharia Supervisory Board.

(v) Wakala payables

The Group accepts deposits from customers under wakala arrangement under which return payable to customers is agreed in the wakala agreement. There is no restriction on the Group for the use of funds received under wakala agreements. Wakala payables are carried at cost plus accrued profit

(w) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received on the date the guarantee was given, and the initial fair value is amortised over the life of the financial guarantee. Subsequent to initial recognition, the Group's liability under such guarantees are measured at the higher of the amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of Management.

Any increase in the liability relating to guarantees is taken to the consolidated statement of income. The amortisation of the premium received is recognized in the consolidated statement of income under "commission and fees income".

(x) Contingent liabilities

Contingent liabilities include guarantees, letter of credit, the Group's obligations with respect to unilateral promise to buy/sell currencies and others. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed in the notes to the consolidated financial statements, unless they are remote.

(y) Comparatives

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) New standards and interpretations

The Group has adopted Financial Accounting Standard 26 (“FAS 26”) “Investment in real estate” issued by AAOIFI during 2012, which is effective as of 1 January 2013. The adoption of the new standard does not have any material impact on the Group.

In addition, the following new standards and amendments have been issued by International Accounting Standards Board (“IASB”) and are effective for the financial year ending 31 December 2013 which do not have any material impact on the Group, but require extensive additional disclosures:

<i>Standard</i>	<i>Content</i>
IFRS 7	Financial instruments: Disclosures- Offsetting Financial Assets and Financial Liabilities (Amendment)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

4 FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

Financial instruments

Financial instruments comprises of all financial assets and liabilities of the Group. Financial assets include cash and balances with Qatar Central Bank, due from banks, investment securities, financing assets and certain other assets. Financial liabilities include customers’ current accounts, due to banks, Sukuk financing and certain other liabilities. Financial instruments also include equity of unrestricted investment account holders and contingent liabilities and commitments included in off balance sheet items.

Risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risk
- Other risks

This note presents information about the Group's exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk, and the Group's capital.

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Board has established various specialized committees that report directly to it and perform functions on its behalf to support efficient management practice which mainly include "Executive Committee", "Audit, Governance and Compliance Committee", "Policy and Development Committee" and "Risks Committee".

Policy and Development Committee

The membership of the committee includes five members, three of them are members of the Board of Directors, and two of them are from the senior management of the Bank. Term of membership of this committee is a maximum of three years or the mandate of the Board whichever is earlier, provided the Board have the right to reformulate the committee according to the interest of the Bank.

This committee is responsible for studying, preparing, and developing the Bank's strategies and objectives. It shall also supervise different policies, systems, plans, and balances of the Bank and approve them. Besides, it is also responsible for evaluating and developing such policies and their application procedures according to Bank's objectives, financial and Bank national and international developments, as well as rules, systems, and instructions of Qatar Central Bank.

The committee holds their ordinary meetings at least once every two months according to a request from its head and it is allowed to the committee to hold exceptional sessions according to the head's request.

The Executive Committee

The committee includes four members, three of whom are Board members and Bank' Executive Chief. Heads of Bank's units shall attend meetings of this committee if necessary without any right to participate in the vote.

The committee performs tasks authorized to it from the Board including granting credit to the committee, renewing, and following it besides, investment resolution and capital employment in excess of powers of executive management according to powers authorized by board. The committee studies reports of executive management, investigates its commitment to achieve stipulated objectives, studying reasons behind deviation from objectives, and suggests recommendations to correct such deviations.

The committee holds its ordinary meetings at least once every two months according to a request from its head and it is allowed to the committee in urgent cases to hold exceptional sessions according to the head's request. It is allowed also to issue a decision in urgent cases and to be registered in the minute of the committee's first meeting following date of these decisions.

Risks Committee

The committee includes five members, three of whom are Board members and two are from senior management of Bank. Head of the committee and his deputy are Board members. This committee is responsible for supervising sector of credit and operations risks. It is also responsible for creating effective system for risks management, update, and develop such system to include strategy and policies of risks management in Bank and evaluating it periodically to ensure that it is suitable with changes happened to Bank's market, as well as revising reports submitted to it by risks sector regarding risks of operations, credit, and market.

The committee ensures application of policies, procedures, recommendations, and requirements of Qatar Central Bank. It also ensures that bank's risk management monitors all of risks elements and assets portfolio as well as making sure that needed requirements for preparing studies and credit analysis being applied accurately and regularly.

The committee holds its ordinary meetings periodically once every two months according to a request from its head and it is allowed to the committee in urgent cases to hold exceptional sessions according to the head's request. It is allowed to hold meeting by vote if there is a problem in holding, but at least four members should agree include head of committee and Board member and this should be registered in the minute of the committee's first meeting following date of these decisions.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Introduction and overview (continued)

Audit, Governance, and Compliance Committee

The committee includes two Board members and head of committee is assigned by Board of Directors. Tasks of audit committee has been modified starting from 2011 to include in addition to its current tasks, governance, compliance, anti money laundry and terrorism finance.

The Committee plays effective role in auditing Bank's affairs in all sectors among powers authorized to each sector. It makes sure that employees perform and apply policies, procedures, and decisions approved from the Board as well as policies and instructions of Qatar Central Bank. The committee supervises internal and external audit, assessment of performance and risks, supervising all affairs of governance and commitment management as well as anti money laundry and terrorism finance.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset will fail to meet its contractual obligations and cause the Group to incur a financial loss. It arises principally from the Group's financing assets, due from banks, investment securities and certain other assets.

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

The main types of collaterals obtained are as follows:

- For securities lending, cash or securities.
- For commercial and corporate lending, mortgages over real estate properties, inventory, cash and securities.
- For rental lending, mortgages over residential properties and securities.

Management monitors the market value of collateral.

The Bank also obtains corporate guarantees from parent companies for receivables and balances from financing activities to their subsidiaries.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Balances with Qatar Central Bank	1,466,829	1,174,136
Due from banks	4,848,530	5,449,574
Financing assets	19,021,017	14,675,110
Investment securities	6,521,485	4,760,461
Other assets	<u>304,681</u>	<u>292,282</u>
	<u>32,162,542</u>	<u>26,351,563</u>
Other credit risk exposures:		
Unutilised financing facilities	3,050,023	822,630
Guarantees	1,112,593	801,618
Letters of credit	292,282	222,326
Acceptances	80,613	37,607
Others	<u>19,872</u>	<u>5,462</u>
	<u>4,555,383</u>	<u>1,889,643</u>

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

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a financing commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the consolidated statement of financial position.

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

Geographical sectors

The following table breaks down the Group's credit exposure at their carrying amounts (without taking into account any collateral held or other credit enhancements attached), as categorised by geographical region and based on the country of domicile of its counterparties.

2013

Assets recorded on the consolidated statement of financial position:	<i>Qatar</i> <i>QR'000</i>	<i>Other GCC</i> <i>QR'000</i>	<i>Other Middle East</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Balances with Qatar Central Bank	1,466,829	-	-	-	1,466,829
Due from banks	3,280,637	1,209,712	2,941	355,240	4,848,530
Financing assets	18,824,666	184,256	12,095	-	19,021,017
Investment securities	6,386,749	134,736	-	-	6,521,485
Other assets	<u>304,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,681</u>
	<u>30,263,562</u>	<u>1,528,704</u>	<u>15,036</u>	<u>355,240</u>	<u>32,162,542</u>

Qatar International Islamic Bank (Q.S.C)

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Geographical sectors (continued)

2012

Assets recorded on the consolidated statement of financial position:	<i>Qatar</i> <i>QR'000</i>	<i>Other</i> <i>GCC</i> <i>QR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Balances with Qatar Central Bank	1,174,136	-	-	-	1,174,136
Due from banks	4,749,145	515,765	2,673	181,991	5,449,574
Financing assets	14,663,014	-	12,096	-	14,675,110
Investment securities	4,289,466	470,995	-	-	4,760,461
Other assets	283,569	-	-	8,713	292,282
	<u>25,159,330</u>	<u>986,760</u>	<u>14,769</u>	<u>190,704</u>	<u>26,351,563</u>

Off balance sheet items
2013

	<i>Qatar</i> <i>QR'000</i>	<i>Other</i> <i>GCC</i> <i>QR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Unutilised financing facilities	3,050,023	-	-	-	3,050,023
Guarantees	1,112,593	-	-	-	1,112,593
Letters of credit	292,282	-	-	-	292,282
Acceptances	80,613	-	-	-	80,613
Others	19,872	-	-	-	19,872
	<u>4,555,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,555,383</u>

2012	<i>Qatar</i> <i>QR'000</i>	<i>Other</i> <i>GCC</i> <i>QR'000</i>	<i>Other</i> <i>Middle</i> <i>East</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Unutilised financing facilities	822,630	-	-	-	822,630
Guarantees	801,208	-	-	410	801,618
Letters of credit	222,326	-	-	-	222,326
Acceptances	37,607	-	-	-	37,607
Others	5,462	-	-	-	5,462
	<u>1,889,233</u>	<u>-</u>	<u>-</u>	<u>410</u>	<u>1,889,643</u>

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

Industry sectors

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

	<i>Gross exposure 2013 QR'000</i>	<i>Gross exposure 2012 QR'000</i>
Government and related entities	10,046,971	5,301,992
Real estate	7,237,738	6,847,739
Services	6,794,469	7,225,737
Personal	5,448,480	4,279,822
Contingent liabilities	4,555,383	1,889,643
Commercial	886,115	491,373
Contracting	725,678	119,225
Industry	242,972	255,705
Others	780,118	1,837,460
	36,717,924	28,248,696

Credit risk exposure

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

	<i>2013 QR'000</i>	<i>2012 QR'000</i>
Equivalents grades		
AAA to AA-	9,362,009	5,302,181
A+ to A-	2,214,630	2,735,297
BBB+ to BBB-	477,866	60,470
BB+ to B-	4,203	2,083
Unrated	20,103,834	18,259,022
	32,162,542	26,359,053

At 31 December 2013

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**(b) Credit risk (continued)****(iii) Credit quality**

The following table provides the details for the credit quality:

	<i>Financing assets</i>		<i>Due from banks</i>		<i>Investment in debt type securities</i>	
	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
<i>Neither past due nor impaired (low risk):</i>						
Gross amount	19,843,614	15,352,153	4,848,530	5,449,574	-	-
Deferred profit	(1,151,142)	(924,426)	-	-	-	-
Carrying amount	18,692,472	14,427,727	4,848,530	5,449,574	-	-
Past due but not impaired (special mentioned):						
Carrying amount	245,301	175,103	-	-	-	-
Impaired						
Substandard (overdue > 3 months)	86,893	108,880	-	-	-	-
Doubtful (overdue > 6 months)	22,342	28,361	-	-	-	-
Loss (overdue > 9 months)	110,500	109,173	-	-	-	-
	219,735	246,414	-	-	-	-
Less: Impairment allowance	(123,205)	(115,592)	-	-	-	-
Less: Suspended profit	(13,286)	(58,542)	-	-	-	-
	(136,491)	(174,134)	-	-	-	-
Carrying amount – net	83,244	72,280	-	-	-	-
Investment securities						
At fair value thorough income statement	-	-	-	-	31,813	-
At amortised cost	-	-	-	-	6,489,672	4,760,461
Carrying amount	-	-	-	-	6,521,485	4,760,461
Total carrying amount	19,021,017	14,675,110	4,848,530	5,449,574	6,521,485	4,760,461

Impaired financing assets and investment in debt-type securities

Individually impaired financing assets and investment in debt-type securities (other than those carried at fair value through income statement) for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and profit due according to the contractual terms of the financing / investment security agreements.

Investments in debt-type securities carried at fair value through income statement are not assessed for impairment.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Financing assets past due but not impaired

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

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Up to 30 days	179,880	55,765
31 to 60 days	65,421	119,338
Gross	245,301	175,103

(iv) 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, mortgage interests over properties, and guarantees or legal mortgage against the past dues financing assets.

The aggregate collateral is QR 178.7 million (2012: QR 51 million) for past due up to 30 days, QR19.6 million (2012: QR 446.2 million) for past due from 31 to 60 days and QR 135.1 million (2012: QR 441.4 million) for past due more than 91 days.

Write-off policy

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

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QR 2 million (2012: QR 1 million).

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

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

(i) Management of liquidity risk

The Group maintains a portfolio of high quality liquid assets, largely made up of QCB Sukuk, short-term liquid trading investments, and inter-bank placements in addition to maintaining the statutory reserves with QCB. The Market Risk Department monitors the liquidity risk of the Bank on a daily basis through liquidity stress testing scenarios and report its results to the Risks Committee for their action if needed. All liquidity policies and procedures are subject to review and approved by Board of Directors.

(ii) Exposure to liquidity risk

A key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers, i.e total assets by maturities against total liabilities by maturities. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt-type securities for which there is an active and liquid market less any deposits from banks, sukuk issued, 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 QCB. The Market Risks Department monitors the liquidity risks of the Bank on a daily basis and run liquidity Stress Testing in order to make sure the Bank is in compliance with QCB requirements.

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>2013</i>	<i>2012</i>
	%	%
At December 31		
Average for the year	163	204
Maximum for the year	182	228
Minimum for the year	138	176

Qatar International Islamic Bank (Q.S.C)

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At 31 December 2013

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis

Maturity analysis of Group's assets, liabilities and equity of unrestricted investment account holders are prepared on the basis of their contractual maturity. For assets, liabilities and equity of unrestricted investment account holders where there is no contractually agreed maturity date, the maturity analysis is done based on the statistical maturity.

2013	<i>Carrying amount QR'000</i>	<i>Less than 1 month QR'000</i>	<i>1-3 months QR'000</i>	<i>3 months – 1 year QR'000</i>	<i>1-5 years QR'000</i>	<i>More than 5 years QR'000</i>
Cash and balances with Qatar Central Bank	1,669,322	501,619	-	-	-	1,167,703
Due from banks	4,848,530	4,138,550	345,830	364,150	-	-
Financing assets	19,021,017	1,127,633	2,112,990	4,368,859	10,095,140	1,316,395
Investment securities	6,760,380	2,148,503	109,676	-	4,038,749	463,452
Investment in associates	371,536	-	-	-	-	371,536
Investment properties	972,351	-	-	-	790,531	181,820
Fixed assets	402,206	-	-	-	9,155	393,051
Other assets	376,124	-	303,633	72,491	-	-
Total assets	34,421,466	7,916,305	2,872,129	4,805,500	14,933,575	3,893,957
Due to banks	1,395,999	602,671	429,178	364,150	-	-
Customers' current accounts	5,670,809	5,670,809	-	-	-	-
Sukuk financing	2,542,082	-	-	-	2,542,082	-
Other liabilities	479,424	79,285	247,773	129,439	2,679	20,248
Total liabilities	10,088,314	6,352,765	676,951	493,589	2,544,761	20,248
Equity of unrestricted investment account holders	19,019,226	9,996,910	2,399,700	5,448,812	1,173,804	-
Total liabilities and equity of unrestricted investment account holders	29,107,540	16,349,675	3,076,651	5,942,401	3,718,565	20,248
Maturity gap	5,313,926	(8,433,370)	(204,522)	(1,136,901)	11,215,010	3,873,709

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

(iii) Maturity analysis

	<i>Carrying amount QR'000</i>	<i>Less than 1 month QR'000</i>	<i>1-3 Months QR'000</i>	<i>3 months – 1 year QR'000</i>	<i>1-5 years QR'000</i>	<i>More than 5 years QR'000</i>
2012						
Cash and balances with Qatar Central Bank	1,354,077	459,004	-	-	-	895,073
Due from banks	5,449,574	2,730,348	1,990,925	728,301	-	-
Financing assets	14,675,110	124,543	703,774	1,518,901	8,166,134	4,161,758
Investment securities	5,004,119	199,520	130,092	-	2,320,310	2,354,197
Investment in associates	381,991	-	-	-	-	381,991
Investment properties	1,165,036	-	-	-	903,233	261,803
Fixed assets	209,780	-	-	-	7,746	202,034
Other assets	319,353	159,381	63,766	96,206	-	-
Total assets	28,559,040	3,672,796	2,888,557	2,343,408	11,397,423	8,256,856
Due to banks	814,667	292,228	158,289	364,150	-	-
Customers' current accounts	5,639,496	5,639,496	-	-	-	-
Sukuk financing	2,540,338	-	-	-	2,540,338	-
Other liabilities	356,963	-	356,963	-	-	-
Total liabilities	9,351,464	5,931,724	515,252	364,150	2,540,338	-
Equity of unrestricted investment account holders	14,171,539	5,998,044	1,266,928	4,335,661	2,570,906	-
Total liabilities and equity of unrestricted investment account holders	23,526,003	11,929,768	1,782,180	4,699,811	5,111,244	-
Maturity gap	5,033,037	(8,256,972)	1,106,377	(2,356,403)	6,286,179	8,256,856

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risks

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

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by the Group's Market Risk Department on a daily basis. Regular reports are submitted to the Risks Committee.

Non-trading portfolios primarily arise from the profit rate management of the Group's retail and corporate banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's debt-type and equity-type investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO/Investment Committee/ Limits Committee. Group Market Risk Department is responsible for the development of detailed market risk management policies (subject to review and approval by Risks Committee/Board Level) and for the day-to-day management of all market risks. The main objective of the Market Risk Management is identification, classification and management of market risk in a prudent way to ensure safeguarding interests of all shareholders. The Group views market risk management as a core competency and its purpose is not to neutralise market risks, but rather maximize risk/return tradeoffs within clearly defined limits. The existence of market risk requires the measurement of the magnitude of the exposure. This measure is an essential precursor to the management of the risk that takes the form of either reducing the exposure through hedging or maintaining sufficient capital to protect the Group from the risk of operational capacity impairment.

The principle tool used to measure and control market risk exposure within the Group's portfolios is Stress Testing Scenarios modelling.

At 31 December 2013

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**(d) Market risks (continued)****(ii) Exposure to profit rate risk – non-trading portfolios****Sensitivity analysis**

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

Sensitivity of net profit	<i>100 bp parallel</i>	
	<i>Increase QR'000</i>	<i>Decrease QR'000</i>
2013		
At 31 December	69	(69)
2012		
At 31 December	94	(94)

(iii) Exposure to other market risks – non-trading portfolios**Equity price risk**

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as fair value through income statement and fair value through equity.

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

<i>Market Indices</i>	<i>Change in equity price %</i>	<i>Effect on equity</i>		<i>Effect on profit and loss</i>	
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Qatar Exchange	+/- 10%	3,587	12,260	10,968	-
New York Stock Exchange	+/- 10%	-	749	-	-

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**(d) Market risks (continued)****(iii) Exposure to other market risks – non-trading portfolios (continued)****Currency risk**

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

The table below indicates the effect of a reasonably possible movement of the currency rate against the Qatar Riyal on the income statement, with all other variables held constant:

<i>Currency</i>	<i>Change in currency rate equity price</i>	<i>Effect on statement of income</i>	
	<i>%</i>	<i>2013 QR'000</i>	<i>2012 QR'000</i>
Euro	+ / - 10	15	6,003
Sterling Pounds	+ / - 10	85	1,197
Others	+ / - 10	26,489	5,243

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

(e) Operational risks

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

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

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(e) Operational risks (continued)

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

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

(f) Capital management

Regulatory capital

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

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

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

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Tier 1 capital	4,047,686	3,908,702
Tier 2 capital	<u>236,749</u>	<u>74,799</u>
Total regulatory capital	<u><u>4,284,435</u></u>	<u><u>3,983,501</u></u>

Tier 1 capital includes share capital, legal reserve, retained earnings and other reserves.

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

At 31 December 2013

4 FINANCIAL RISK MANAGEMENT (CONTINUED)**(f) Capital management (continued)****Risk weighted assets and carrying amounts**

	<i>Basel II Risk weighted amount</i>		<i>Carrying amount</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>	<i>QR'000</i>
Balance with Qatar Central Bank	-	-	1,466,829	1,174,136
Due from banks	2,771,339	3,070,844	4,848,530	5,449,574
Financing assets	13,838,066	12,102,949	19,021,017	14,675,110
Investment securities	417,586	636,326	6,760,380	5,004,119
Other assets	887,401	533,406	376,124	319,353
Off balance sheet assets	1,288,763	623,551	4,555,383	1,889,643
	<u>19,203,155</u>	<u>16,967,076</u>	<u>37,028,263</u>	<u>28,511,935</u>
Total risk weighted assets for credit risk				
Risk weighted assets for market risk	1,925,075	2,982,888	154,006	238,631
Risk weighted assets for operational risk	1,589,463	1,443,344	127,157	115,468
	<u>3,514,538</u>	<u>4,426,232</u>	<u>281,163</u>	<u>354,099</u>

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

	<i>2013</i>	<i>2012</i>
	<i>QR'000</i>	<i>QR'000</i>
Risk weighted assets	22,717,693	21,393,308
Regulatory capital	4,284,435	3,991,865
Risk weighted assets as a percentage of regulatory capital (capital ratio)	18.86%	18.66%

5 USE OF ESTIMATES AND JUDGMENTS**(a) Key sources of estimation uncertainty**

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

(i) Allowance for credit losses

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

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

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

(ii) Determining fair values

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

Fair value is determined for each investment individually in accordance with the general valuation policies as set out below;

- i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.
- ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sells transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.
- iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- iv) Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

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

(i) Valuation of financial instruments

The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section. The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)**(b) Critical accounting judgements in applying the Group's accounting policies (continued)****(i) Valuation of financial instruments (continued)**

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, sukuk 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.

(ii) Financial asset classification

The table below analyses investment securities measured at fair value at the end of the year, by the level in the fair value hierarchy into which the fair value measurement is categorised:

2013	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
- Quoted debt-type investments classified as fair value through income statement	31,813	31,813	-	-
- Unquoted debt-type investments classified at amortized cost	4,024,308	-	-	4,024,308
- Quoted debt-type investments classified at amortized cost	2,465,364	2,465,364	-	-
- Quoted equity-type investments classified as fair value through income statement	109,675	109,675	-	-
- Quoted equity-type investments classified as fair value through equity	35,877	35,877	-	-
- Unquoted equity-type investments classified as fair value through equity	93,343	-	-	93,343
2012	<i>Fair value measurement using</i>			
	<i>Total</i>	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
- Unquoted debt-type investments classified at amortized cost	2,949,520	-	-	2,949,520
- Quoted debt-type investments classified at amortized cost	1,810,941	1,810,941	-	-
- Quoted equity-type investments classified as fair value through equity	130,094	130,094	-	-
- Unquoted equity-type investments classified as fair value through equity	113,564	-	-	113,564

5 USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

There have been no transactions between level 1 and level 2 during the years ended 31 December 2013 and 2012.

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

(iii) Useful lives of fixed assets

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

(iv) Valuation of investment properties

The Group owns investments properties held for capital appreciation which is measured at fair value and investment properties held for rental which is measured at cost less accumulated depreciation and any impairment allowances. In determining the fair value of these properties, the management of the Group depends on valuation provided by external accredited valuers.

(v) Impairment of fair value through equity investments

The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment for fair value through equity investments, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or whether it becomes probable that that the investee will enter bankruptcy or other financial reorganization.

(vi) Valuation of investments designated at fair value through income statement

The fair value of unquoted investments designated at fair value through statement of income is determined by management using various valuation techniques. Valuation techniques employed include using a market multiples approach, a discounted cash flow analysis and a comparable transaction approach amongst others. These techniques require management to make certain assumptions and estimates about expected future cash flows, revenues, profits and expected market conditions. Management ensures that in all cases these assumptions are reasonable and realistic.

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

(vii) Going concern

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

6 OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure. For each of the strategic divisions, the Group Management Committee reviews internal management reports on monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Corporate	Includes financing, deposits and other transactions and balances with corporate customers, government and semi government institutions and SME customers.
Retail	Includes financing, deposits and other transactions and balances with retail customers.
Treasury & Investments	Undertakes the Group's funding and centralised risk management activities through borrowings, issue of Sukuk, use of risk management instruments for risk management purposes and investing in liquid assets such as short-term deposits and corporate and government Sukuk. Investments activities include the Group's trading and corporate finance activities.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit, assets and liabilities growth, as included in the internal management reports that are reviewed by the ALCO committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments.

<i>2013</i>	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	614,944	334,130	371,276	1,320,350
Net fee and commission income	33,397	21,923	-	55,320
Net foreign exchange gains	-	-	17,007	17,007
Share of results of associates	-	-	65,379	65,379
Total segment income	<u>648,341</u>	<u>356,053</u>	<u>453,662</u>	<u>1,458,056</u>
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(56,471)	(56,471)
Net impairment loss on financing assets	(9,593)	-	-	(9,593)
Foreign exchange loss on translation of investment in associates	-	-	(68,960)	(68,960)
Reportable segment net profit before allocation of expenses	<u>638,748</u>	<u>356,053</u>	<u>328,231</u>	<u>1,323,032</u>

6 OPERATING SEGMENTS (CONTINUED)

2012	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
External revenue:				
Total income from financing and investing activities	517,450	267,029	292,543	1,077,022
Net fee and commission income	41,031	17,790	-	58,821
Foreign exchange gains	-	-	10,995	10,995
Share of results of associates	-	-	36,493	36,493
Total segment income	<u>558,481</u>	<u>284,819</u>	<u>340,031</u>	<u>1,183,331</u>
Other material non-cash items:				
Net impairment loss on investment securities	-	-	(24,504)	(24,504)
Foreign exchange loss on translation of investment in associates	-	-	(40,853)	(40,853)
Reportable segment net profit before allocation of expenses	<u>558,481</u>	<u>284,819</u>	<u>274,674</u>	<u>1,117,974</u>
2013	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
Reportable segment assets	<u>13,836,190</u>	<u>5,172,732</u>	<u>13,264,020</u>	<u>32,272,942</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>8,494,399</u>	<u>15,930,894</u>	<u>3,938,081</u>	<u>28,363,374</u>
2012	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Treasury & Investments QR'000</i>	<i>Total QR'000</i>
Reportable segment assets	<u>10,166,501</u>	<u>4,494,787</u>	<u>12,291,879</u>	<u>26,953,167</u>
Reportable segment liabilities and equity of unrestricted investment account holders	<u>6,130,579</u>	<u>13,511,999</u>	<u>3,355,005</u>	<u>22,997,583</u>

6 OPERATING SEGMENTS (CONTINUED)

The tables below provide reconciliation of reportable segment revenues, profit, assets and liabilities:

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Profit		
Total net profit for reportable segments before allocation of staff costs, depreciation, finance expense, other expenses and share of unrestricted investment account holders of profit	1,323,032	1,117,974
	<u>(572,721)</u>	<u>(438,949)</u>
Consolidated net profit for the year	<u>750,311</u>	<u>679,025</u>
	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Assets		
Total assets for reportable segments	32,272,942	26,953,167
Other unallocated amounts	<u>2,148,524</u>	<u>1,605,873</u>
Consolidated total assets	<u>34,421,466</u>	<u>28,559,040</u>
Liabilities and equity of unrestricted investment account holders		
Total liabilities and equity of unrestricted investment account holders for reportable segments	28,363,374	22,997,583
Other unallocated amounts	<u>744,166</u>	<u>525,420</u>
Consolidated total liabilities and equity of unrestricted investment account holders	<u>29,107,540</u>	<u>23,523,003</u>

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6 OPERATING SEGMENTS (CONTINUED)

Geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and assets are based on geographical location of the assets.

	<i>Qatar</i> <i>QR'000</i>	<i>Other</i> <i>GCC</i> <i>QR'000</i>	<i>Middle East</i> <i>other than</i> <i>GCC</i> <i>QR'000</i>	<i>Europe</i> <i>QR'000</i>	<i>North</i> <i>America</i> <i>QR'000</i>	<i>Rest of</i> <i>the World</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
2013							
External revenues	<u>1,402,532</u>	<u>24,419</u>	<u>19,912</u>	<u>-</u>	<u>11,193</u>	<u>-</u>	<u>1,458,056</u>
Non-current assets	<u>18,097,552</u>	<u>625,749</u>	<u>65,138</u>	<u>12,106</u>	<u>1,092</u>	<u>25,898</u>	<u>18,827,535</u>
<i>2012</i>							
External revenues	<u>1,139,353</u>	<u>32,888</u>	<u>10,996</u>	<u>-</u>	<u>94</u>	<u>-</u>	<u>1,183,331</u>
Non-current assets	<u>18,954,381</u>	<u>584,560</u>	<u>115,244</u>	<u>-</u>	<u>94</u>	<u>-</u>	<u>19,654,279</u>

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7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

2013	<i>Fair value through statement of income QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
Cash and balances with Qatar Central Bank	-	-	1,669,322	1,669,322	1,669,322
Due from banks	-	-	4,848,530	4,848,530	4,848,530
Financing assets	-	-	19,021,017	19,021,017	19,021,017
Investment securities:					
- Measured at fair value	141,488	129,220	-	270,708	270,708
- Measured at amortised cost	-	-	6,489,672	6,489,672	6,475,481
Other assets	-	-	304,681	304,681	304,681
	<u>141,488</u>	<u>129,220</u>	<u>32,333,222</u>	<u>32,603,930</u>	<u>32,589,739</u>
Due to banks	-	-	1,395,999	1,395,999	1,395,999
Customers' current accounts	-	-	5,670,809	5,670,809	5,670,809
Sukuk financing	-	-	2,542,082	2,542,082	2,542,082
Other liabilities	-	-	479,424	479,424	479,424
	<u>-</u>	<u>-</u>	<u>10,088,314</u>	<u>10,088,314</u>	<u>10,088,314</u>

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7 FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

2012	<i>Fair value through statement of income QR'000</i>	<i>Fair value through equity QR'000</i>	<i>Amortised cost QR'000</i>	<i>Total carrying amount QR'000</i>	<i>Fair value QR'000</i>
Cash and balances with Qatar Central Bank	-	-	1,354,077	1,354,077	1,354,077
Due from banks	-	-	5,449,574	5,449,574	5,449,574
Financing assets	-	-	14,675,110	14,675,110	14,675,110
Investment securities:					
- Measured at fair value	-	243,658	-	243,658	243,658
- Measured at amortised cost	-	-	4,760,461	4,760,461	4,767,484
Other assets	-	-	299,772	299,772	299,772
	<u>-</u>	<u>243,658</u>	<u>26,538,994</u>	<u>26,782,652</u>	<u>26,789,675</u>
Due to banks	-	-	814,667	814,667	814,667
Customers' current accounts	-	-	5,639,496	5,639,496	5,639,496
Sukuk financing	-	-	2,540,338	2,540,338	2,540,338
Other liabilities	-	-	356,963	356,963	356,963
	<u>-</u>	<u>-</u>	<u>9,351,464</u>	<u>9,351,464</u>	<u>9,351,464</u>

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8 CASH AND BALANCES WITH QATAR CENTRAL BANK

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Cash reserve with QCB (i)	1,167,703	895,073
Other balances with QCB	299,126	279,063
Cash	<u>202,493</u>	<u>179,941</u>
	<u>1,669,322</u>	<u>1,354,077</u>

(i) Cash reserve with QCB is not available for use in the Group's day to day operations.

9 DUE FROM BANKS

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Mudaraba placements	2,573,718	4,513,168
Commodity Murabaha receivable	1,908,488	160,236
Current accounts	366,324	176,170
Wakala placements	-	600,000
	<u>4,848,530</u>	<u>5,449,574</u>

10 FINANCING ASSETS

(a) By type

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Murabaha and Musawama	13,263,338	9,734,333
Ijarah Muntahia Bittamleek	6,092,570	5,582,522
Mudaraba	239,499	90,775
Istisn'a	122,956	220,322
Musharaka	33,279	42,649
Others	557,008	103,069
Total financing assets	<u>20,308,650</u>	<u>15,773,670</u>
Less: Deferred profit	(1,151,142)	(924,426)
Specific impairment of financing assets	(123,205)	(115,592)
Suspended profit	<u>(13,286)</u>	<u>(58,542)</u>
Net financing assets	<u>19,021,017</u>	<u>14,675,110</u>

Total carrying amount of Istisn'a contracts under processing is QR 202 million (2012: QR 274 million).

During the year, the Bank had written off fully provided bad debts after meeting conditions stipulated in the instructions of QCB amounting to QR 2 million (2012: QR 1 million).

The total non-performing financing assets at 31 December 2013 amounted to QR 220 million, representing 1.1% of the gross financing assets (2012: QR 246 million, representing 1.56%).

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10 FINANCING ASSETS (CONTINUED)

(a) By type (continued)

Net financing assets distributed by nature of the customer is as follows:

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Corporate	11,009,831	10,062,136
Government and related agencies	2,838,454	116,459
Retail and others	<u>5,172,732</u>	<u>4,496,515</u>
	<u>19,021,017</u>	<u>14,675,110</u>

(b) Movement in impairment of financing assets and suspended profit is as follows:

	<i>2013</i>			<i>2012</i>		
	<i>Specific impairment QR'000</i>	<i>Suspended profit QR'000</i>	<i>Total QR'000</i>	<i>Specific impairment QR'000</i>	<i>Suspended profit QR'000</i>	<i>Total QR'000</i>
Balance at 1 January	115,592	58,542	174,134	116,600	42,125	158,725
Provisions provided during the year	9,593	-	9,593	-	17,341	17,341
Recoveries during the year	-	(45,178)	(45,178)	-	-	-
Written off during the year	<u>(1,980)</u>	<u>(78)</u>	<u>(2,058)</u>	<u>(1,008)</u>	<u>(924)</u>	<u>(1,932)</u>
Balance at 31 December	<u>123,205</u>	<u>13,286</u>	<u>136,491</u>	<u>115,592</u>	<u>58,542</u>	<u>174,134</u>

(c) Movement in the impairment of financing assets - sector wise:

	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2013	14,796	100,796	115,592
Provisions provided during the year	2,218	7,375	9,593
Recoveries during the year	-	-	-
Written off	<u>(1,735)</u>	<u>(245)</u>	<u>(1,980)</u>
Balance at 31 December 2013	<u>15,279</u>	<u>107,926</u>	<u>123,205</u>

	<i>Corporate QR'000</i>	<i>Retail QR'000</i>	<i>Total QR'000</i>
Balance at 1 January 2012	15,277	101,323	116,600
Provisions provided during the year	-	-	-
Recoveries during the year	-	-	-
Written off	<u>(481)</u>	<u>(527)</u>	<u>(1,008)</u>
Balance at 31 December 2012	<u>14,796</u>	<u>100,796</u>	<u>115,592</u>

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10 FINANCING ASSETS (CONTINUED)

(d) By sector

2013	<i>Murabaha and Musawama QR'000</i>	<i>Musharaka QR'000</i>	<i>Ijarah Muntahia Bittamleek QR'000</i>	<i>Istisna'a QR'000</i>	<i>Mudaraba QR'000</i>	<i>Others QR'000</i>	<i>Total QR'000</i>
Government and related entities	2,551,115	-	-	-	-	459,723	3,010,838
Industry	232,921	-	26,823	-	-	-	259,744
Commercial	660,153	373	286,758	-	-	-	947,284
Services	835,229	13	404,818	-	12,100	-	1,252,160
Contracting	548,373	-	-	-	227,399	-	775,772
Real estate	2,234,119	466	5,374,171	121,247	-	-	7,730,003
Personal	5,792,515	32,077	-	-	-	-	5,824,592
Others	408,913	350	-	1,709	-	97,285	508,257
Total financing assets	<u>13,263,338</u>	<u>33,279</u>	<u>6,092,570</u>	<u>122,956</u>	<u>239,499</u>	<u>557,008</u>	<u>20,308,650</u>
Less: Deferred profit							(1,151,142)
Specific impairment of financing assets							(123,205)
Suspended profit							<u>(13,286)</u>
Net financing assets							<u><u>19,021,017</u></u>

Note:

Details of financing assets related to Sukuk issued during 2012 are disclosed under Note 18.

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10 FINANCING ASSETS (CONTINUED)

(d) By sector (continued)

2012	<i>Murabaha and Musawama QR'000</i>	<i>Musharaka QR'000</i>	<i>Ijarah Muntahia Bittamleek QR'000</i>	<i>Istisna'a QR'000</i>	<i>Mudaraba QR'000</i>	<i>Others QR'000</i>	<i>Total QR'000</i>
Government and related entities	116,459	-	-	-	-	-	116,459
Industry	262,197	-	-	-	-	12,799	274,996
Commercial	516,155	373	-	-	-	11,916	528,444
Services	1,310,817	213	-	-	-	4,301	1,315,331
Contracting	124,519	-	-	-	-	3,701	128,220
Real estate	1,259,527	466	5,582,522	220,322	90,775	204	7,153,816
Personal	4,539,282	39,869	-	-	-	23,556	4,602,707
Others	1,605,377	1,728	-	-	-	46,592	1,653,697
Total financing assets	9,734,333	42,649	5,582,522	220,322	90,775	103,069	15,773,670
Less: Deferred profit							(924,426)
Specific impairment of financing assets							(115,592)
Suspended profit							(58,542)
Net financing assets							<u>14,675,110</u>

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11 INVESTMENT SECURITIES

	2013			2012		
	<i>Quoted</i> <i>QR'000</i>	<i>Unquoted</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>	<i>Quoted</i> <i>QR'000</i>	<i>Unquoted</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
<i>Investments classified as fair value through income statement</i>						
• equity-type investments	109,675	-	109,675	-	-	-
• debt-type investments						
- Fixed rate	31,813	-	31,813	-	-	-
	141,488	-	141,488	-	-	-
<i>Debt-type investments classified at amortised cost (i)</i>						
- State of Qatar Sukuk	1,730,535	3,998,505	5,729,040	983,683	2,949,520	3,933,203
- Fixed rate	734,829	18,918	753,747	817,870	-	817,870
- Floating rate	-	6,885	6,885	9,388	-	9,388
	2,465,364	4,024,308	6,489,672	1,810,941	2,949,520	4,760,461
<i>Equity-type investments classified as fair value through equity</i>						
	35,877	93,343	129,220	130,094	113,564	243,658
	2,642,729	4,117,651	6,760,380	1,941,035	3,063,084	5,004,119

Notes:

- (i) The fair value of the investments carried at amortised costs as at 31 December 2013 amounted to QR 6,475 million (2012: QR 4,767 million).
- (ii) The fair value hierarchy and the transfers between categories of fair value hierarchy are disclosed in Note 5 (b).

11 INVESTMENT SECURITIES (CONTINUED)

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

	2013			2012		
	<i>Positive fair value QR'000</i>	<i>Negative fair value QR'000</i>	<i>Total QR'000</i>	<i>Positive fair value QR'000</i>	<i>Negative fair value QR'000</i>	<i>Total QR'000</i>
Balance at 1 January	20,565	(4,536)	16,029	21,233	(55)	21,178
Net change in fair value	(4,490)	4,216	(274)	(668)	(4,481)	(5,149)
Balance at 31 December	16,075	(320)	15,755	20,565	(4,536)	16,029

The movement in impairment of debt-type securities carried at amortised cost and equity-type securities carried at fair value through equity (i) is as follows:

	2013 QR'000	2012 QR'000
Balance at 1 January	28,604	4,100
Charge during the year	56,471	24,504
Adjustments made during the year	1,018	-
Balance at 31 December	86,093	28,604

Note:

(i) For equity-type investments classified as fair value through equity and measured at fair value, a significant (where market value has declined by a minimum of 20%) or prolonged (where market value has declined for 9 months at least) decline in the fair value of an investment below its cost is considered in determining whether the investments are impaired.

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12 INVESTMENT IN ASSOCIATES

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Balance at 1 January	381,991	365,231
Foreign currency translation loss	(68,960)	(17,699)
Share of results	65,379	36,493
Cash dividends	(6,874)	(2,034)
Balance at 31 December	<u>371,536</u>	<u>381,991</u>

The bank has the following investments in associates:

<i>Name of the Company</i>	<i>Company's activities</i>	<i>Country of incorporation</i>	<i>Ownership percentage</i>	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Mackeen Investment and Real Estate Development Q.P.S.C.	Real estate	Qatar	49%	258,240	215,933
Syria International Islamic Bank	Banking	Syria	20%	59,318	102,246
Al Tashelat Islamic Company W.L.L.	Financing	Qatar	49%	44,070	49,344
Syria Islamic Insurance Company	Insurance	Syria	20%	5,820	12,998
Al Moqawil Company W.L.L.	Contracting	Qatar	49%	4,088	1,470
				<u>371,536</u>	<u>381,991</u>

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12 INVESTMENT IN ASSOCIATES (CONTINUED)

The financial position and revenue of associates based on its financial statements which were considered by the group for the year ended 31 December 2013 and 2012 are as follows:

<i>31 December 2013</i>	<i>Syrian International Islamic Bank QR'000</i>	<i>Al Tashelat Islamic Company W.L.L. QR'000</i>	<i>Al Moqawil Company W.L.L. QR'000</i>	<i>Syria Islamic Insurance Company QR'000</i>	<i>Mackeen Investment and Real Estate Development Q.P.S.C. QR'000</i>	<i>Total QR'000</i>
Total assets	<u>2,806,180</u>	<u>433,285</u>	<u>8,367</u>	<u>61,393</u>	<u>1,044,750</u>	<u>4,353,975</u>
Total liabilities	<u>1,869,244</u>	<u>338,951</u>	<u>25</u>	<u>34,373</u>	<u>426,034</u>	<u>2,668,627</u>
Total revenue	<u>72,065</u>	<u>10,712</u>	<u>2,228</u>	<u>3,838</u>	<u>79,227</u>	<u>168,070</u>
Share of profit	<u>18,554</u>	<u>1,602</u>	<u>2,619</u>	<u>300</u>	<u>42,304</u>	<u>65,379</u>

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12 INVESTMENT IN ASSOCIATES (CONTINUED)

<i>31 December 2012</i>	<i>Syrian International Islamic Bank QR'000</i>	<i>Al Tashelat Islamic Company W.L.L. QR'000</i>	<i>Al Moqawil Company W.L.L. QR'000</i>	<i>Syria Islamic Insurance Company QR'000</i>	<i>Mackeen Investment and Real Estate Development Q.P.S.C. QR'000</i>	<i>Total QR'000</i>
Total assets	<u>3,242,077</u>	<u>512,984</u>	<u>6,856</u>	<u>92,256</u>	<u>1,001,059</u>	<u>4,855,232</u>
Total liabilities	<u>1,143,775</u>	<u>409,866</u>	<u>25</u>	<u>38,099</u>	<u>468,165</u>	<u>2,059,930</u>
Total revenue	<u>103,237</u>	<u>19,196</u>	<u>1,328</u>	<u>7,705</u>	<u>167,704</u>	<u>299,170</u>
Share of profit	<u>10,568</u>	<u>4,793</u>	<u>-</u>	<u>428</u>	<u>20,704</u>	<u>36,493</u>

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13 INVESTMENT PROPERTIES

	2013			2012		
	<i>Capital appreciation QR'000</i>	<i>Rental QR'000</i>	<i>Total QR'000</i>	<i>Capital appreciation QR'000</i>	<i>Rental QR'000</i>	<i>Total QR'000</i>
Held for:						
Balance at 1 January	903,233	261,803	1,165,036	639,636	236,279	875,915
Transfer from fixed assets	146,707	-	146,707	-	-	-
Transfer to fixed assets	(280,173)	-	(280,173)	-	-	-
Transfer from rental to capital appreciation	47,586	(47,586)	-	-	-	-
Additions	595	-	595	321,400	29,169	350,569
Disposals	(189,926)	(28,751)	(218,677)	(64,269)	-	(64,269)
Changes in fair value	162,509	-	162,509	6,466	-	6,466
Depreciation	-	(3,646)	(3,646)	-	(3,645)	(3,645)
Balance at 31 December	790,531	181,820	972,351	903,233	261,803	1,165,036

Note:

The fair value of investment properties held for rental as at 31 December 2013 is QR 368 million (2012: QR 277 million).

14 FIXED ASSETS

	<i>Land and Buildings QR'000</i>	<i>IT equipments QR'000</i>	<i>Fixtures and fittings QR'000</i>	<i>Motor vehicles QR'000</i>	<i>Total QR'000</i>
Cost					
Balance at 1 January 2013	201,401	55,379	55,214	1,337	313,331
Additions	62,208	4,860	2,279	-	69,347
Transfer from investment properties	280,173	-	-	-	280,173
Transfer to investment properties	(146,707)	-	-	-	(146,707)
Balance at 31 December 2013	397,075	60,239	57,493	1,337	516,144
Balance at 1 January 2012	176,804	49,216	51,823	1,834	279,677
Additions	24,597	6,163	3,391	446	34,597
Disposals	-	-	-	(943)	(943)
Balance at 31 December 2012	201,401	55,379	55,214	1,337	313,331

Qatar International Islamic Bank (Q.S.C)

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At 31 December 2013

14 FIXED ASSETS (CONTINUED)

	<i>Land and Buildings QR'000</i>	<i>IT equipments QR'000</i>	<i>Fixtures and fittings QR'000</i>	<i>Motor vehicles QR'000</i>	<i>Total QR'000</i>
Accumulated depreciation					
Balance at 1 January 2013	13,799	47,633	41,226	893	103,551
Depreciation charged during the year	1,260	3,452	5,466	209	10,387
Balance at 31 December 2013	15,059	51,085	46,692	1,102	113,938
Balance at 1 January 2012	12,539	44,930	35,190	1,487	94,146
Depreciation charged during the year	1,260	2,703	6,036	293	10,292
Disposals	-	-	-	(887)	(887)
Balance at 31 December 2012	13,799	47,633	41,226	893	103,551
Carrying amounts					
Balance at 31 December 2012	187,602	7,746	13,988	444	209,780
Balance at 31 December 2013	382,016	9,154	10,801	235	402,206

15 OTHER ASSETS

	<i>2013 QR'000</i>	<i>2012 QR'000</i>
Accrued profit	233,877	229,733
Prepayments and advances	71,443	27,071
Sundry debtors	1,048	1,000
Others	69,756	61,549
	376,124	319,353

16 DUE TO BANKS

	<i>2013 QR'000</i>	<i>2012 QR'000</i>
Wakala payable	1,174,495	798,177
Current accounts	221,504	16,490
	1,395,999	814,667

Note:

Wakala payable includes various facilities with maturities ranging from one to ten months and carries a profit rate of 0.15% -1.10% (2012: 0.15% - 2%).

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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17 CUSTOMERS' CURRENT ACCOUNTS

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
<i>Current accounts by sector:</i>		
- Individuals	3,299,551	3,020,635
- Corporate	1,841,370	1,907,697
- Government	525,468	708,870
- Non-Banking Financial Institutions	4,420	2,294
	<u>5,670,809</u>	<u>5,639,496</u>

18 SUKUK FINANCING

On 18 October 2012, the Bank raised USD 700 million (QR 2,549 million) through a 5 year Sharia'a compliant Sukuk financing arrangement (the "Sukuk"). The Sukuk is listed at the Irish stock exchange. The Sukuk issue cost of QR 8.7 million is amortised over the tenor of the Sukuk life.

According to terms of the arrangement, the Bank has transferred certain identified assets ("the Sukuk assets") to QIIB Sukuk Ltd (the "Issuer"), an entity incorporated in Cayman Islands for that purpose.

The Sukuk bear a fixed annual profit rate of 2.688% payable to the investor on a semi-annual basis. The issuer will pay the distribution amount from returns received in respect of the Sukuk assets.

The Bank controls the Sukuk assets which will continue to be serviced by the Bank. Upon maturity of the Sukuk, the Bank has undertaken to repurchase the Sukuk assets at the exercise price of USD 700 million.

The details of financing assets related to the Sukuk as at 31 December are as follows:

<i>At 31 December</i>	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Ijarah	2,454,406	2,276,030
Murabaha	107,558	123,108
Investments securities –Sukuk	-	163,867
Total financing assets related to the Sukuk	<u>2,561,964</u>	<u>2,563,005</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

19 OTHER LIABILITIES

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Cash margins	94,405	62,978
Manager cheques	85,290	40,085
NAPS and visa settlements	60,393	22,001
Accrued expenses	39,329	34,007
Clearing suspense accounts	38,232	14,878
Retention from suppliers	26,970	21,638
Employees' end of service benefits (i)	20,248	16,042
Dividend payable	20,142	15,196
Customers advances	18,892	73,546
Contribution to Social and Sports fund	18,758	16,976
Accrued profit distribution to Sukuk holders	14,893	18,358
Unclaimed balances	2,286	931
Others	39,586	20,327
	<u>479,424</u>	<u>356,963</u>

Note:

(i) Movement in employees' end of service benefits is as follows:

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Balance at 1 January	16,042	17,477
Charge for the year (Note 26)	4,870	1,696
Payments made during the year	(664)	(3,131)
Balance at 31 December	<u>20,248</u>	<u>16,042</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

20 EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Unrestricted investment account holders balance before share of profit	18,754,485	14,003,082
Add: Profits for unrestricted investment account holders for the year (a)	257,874	221,638
Less: Profit paid during the year	(206,587)	(180,525)
	<hr/>	<hr/>
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	18,805,772	14,044,195
	<hr/>	<hr/>
<i>By type:</i>	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Term accounts	13,011,918	8,981,281
Saving accounts	5,793,854	5,062,914
	<hr/>	<hr/>
Total (b)	18,805,772	14,044,195
	<hr/>	<hr/>
<i>By sector:</i>		
Retail	11,003,040	10,522,167
Government	3,378,353	951,149
Corporate	2,651,515	1,455,185
Non-banking financial institution	936,334	764,666
Semi government organizations	836,530	351,028
	<hr/>	<hr/>
Total (b)	18,805,772	14,044,195
	<hr/>	<hr/>
	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Total unrestricted investment account holders balance after share of profit and before share of fair value reserve (b)	18,805,772	14,044,195
Share in fair value reserve	213,454	127,344
	<hr/>	<hr/>
Total unrestricted investment account holders balance	19,019,226	14,171,539
	<hr/>	<hr/>
	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Share of unrestricted investment account holders' of the profit for the year	584,376	488,923
Less: Mudarib share	(386,206)	(299,004)
Add: Support provided by the bank	59,704	31,719
	<hr/>	<hr/>
Total profit distributed to unrestricted investment account holders for the year (a)	257,874	221,638
	<hr/>	<hr/>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 SHAREHOLDERS EQUITY

(a) Share capital

At 31 December

Number of shares (thousand)
2013 2012

Issued and fully paid*	<u>151,369</u>	<u>151,369</u>
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* Issued and fully paid capital of QR 1,513,687 thousands comprises 151.4 million shares with a nominal value of QR 10 each, (2012: QR 1,513,687 thousands comprises 151.4 million shares with a nominal value of QR 10 each).

(b) Legal reserve

In accordance with QCB Law No. 13 of 2012 as amended, 10% of net profit attributable to the owners of the Bank for the year is required to be transferred to the reserve until the legal reserve equals 100% of the paid up share capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No. 5 of 2002 and after QCB approval. No appropriation was made in the current year (2012: Nil) as the legal reserve equal more than 100% of the paid up share capital.

(c) Risk reserve

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2% up to 31 December 2012 of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. Starting from 1 January 2013, the minimum requirement for risk reserve became 2.5% instead of 2%. The finance provided to / or secured by the Ministry of Finance – Qatar or finance against cash guarantees is excluded from the gross direct finance. The total amount transferred to the risk reserve during the year amounted to QR 140 million (2012: QR 105 million).

(d) Fair value reserves

Fair value reserve represents unearned profits or losses at year end. The profit is not available for distribution unless realized and charged to the statement of income.

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Investments carried as fair value through equity:		
Balance at 1 January	6,574	9,662
Revaluation for the year	14,508	11,087
Transfer to consolidated statement of income on disposal	(14,782)	(17,844)
Share of unrestricted investment account holders	<u>220</u>	<u>3,669</u>
As at 31 December (shareholders' share) (a)	<u>6,520</u>	<u>6,574</u>
Investments properties		
Balance at 1 January	100,602	97,647
Revaluation for the year	170,570	15,755
Transfer to consolidated statement of income on disposal	(8,060)	(9,289)
Share of unrestricted investment account holders	<u>(86,330)</u>	<u>(3,511)</u>
As at 31 December (shareholders' share) (b)	<u>176,782</u>	<u>100,602</u>
Balance at 31 December (shareholders' share) (a+b)	<u>183,302</u>	<u>107,176</u>

21 SHAREHOLDERS EQUITY (CONTINUED)

(e) Other reserves

Other reserves include the undistributed share of the associate's profit after deducting cash profits received.

Movements over the undistributed share of associates profit are as follows:

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Undistributed share of associates profit		
Balance at 1 January	67,355	32,896
Less: Dividend received from associates	(6,874)	(2,034)
Add: Share of result of associates for the year	65,379	36,493
Transfer to other reserves	58,505	34,459
Balance at 31 December	125,860	67,355

(f) Proposed cash dividends

The Board of Directors has proposed a cash dividend of 37.5 % of paid up share capital amounting to QR 567,63 million – QR 3.75 per share (2012: 35% of paid up capital amounting to QR 529,79 million – QR 3.5 per share) which is subject to approval at the Annual General Meeting of the shareholders of the Bank.

(g) Foreign currency translation reserve

As of 31 December 2012, the Bank determined that the devaluation of Syrian Pound against Qatari Riyal is significant. Accordingly, the currency translation difference accumulated in equity under foreign currency translation reserve and the share of unrestricted investment account holders which relates to certain investment in associates in Syria and amounted to QR 10,651 thousand and QR 12,503 thousand respectively, was transferred in 2012 to consolidated statement of income as foreign exchange loss on translation of investment in associates.

22 NET INCOME FROM FINANCING ACTIVITIES

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Murabaha and Musawama	564,972	505,679
Ijarah Muntahia Bittamleek	370,796	255,342
Istisn'a	11,179	16,191
Mudaraba	2,885	3,324
Musharaka	-	7
Others	300	2,288
	950,132	782,831

Qatar International Islamic Bank (Q.S.C)

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23 NET INCOME FROM INVESTING ACTIVITIES

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Income from investment in debt-type instruments	218,889	175,532
Net gain on sale of properties held for trading	42,042	12,992
Income from inter-bank placements with Islamic banks	30,993	38,415
Net gain on sale of equity-type investments	28,395	12,539
Income from investment properties	22,965	23,024
Wakala income	11,075	-
Income from QCB treasury bills	7,301	3,076
Dividend income	5,714	11,297
Net gain on sale of debt-type investments	3,804	17,316
Fair value loss on investment securities carried as fair value through income statement	(960)	-
	<u>370,218</u>	<u>294,191</u>

24 NET FEE AND COMMISSION INCOME

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Fee and commission income		
Bank charges	34,278	31,071
Commission on local financing	31,922	38,693
Commission on letters of credit and guarantees	11,561	8,986
	<u>77,761</u>	<u>78,750</u>
Fee and commission expense	(22,441)	(19,929)
Net fee and commission income	<u>55,320</u>	<u>58,821</u>

25 NET FOREIGN EXCHANGE GAIN

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Dealing in foreign currencies	19,282	10,072
Revaluation of assets and liabilities	(2,275)	923
	<u>17,007</u>	<u>10,995</u>

26 STAFF COSTS

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Basic salaries	41,010	37,603
Housing allowance	19,232	17,859
Staff indemnity costs (Note 19)	4,870	1,696
Staff pension fund costs	3,862	485
Training	1,009	982
Other staff benefits	65,542	55,815
	<u>135,525</u>	<u>114,440</u>

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

27 OTHER EXPENSES

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Rent	13,549	10,273
Advertising and promotion	13,430	5,931
Telephone, telex and post	12,254	9,133
Board of directors remuneration	10,995	8,484
Computer and ATMs expenses	10,027	8,214
Fees and subscriptions	9,289	2,858
Investment expenses	3,276	593
Maintenance and cleaning expenses	2,903	2,820
Professional fees	2,884	2,071
Business travelling expenses	1,691	2,298
Stationery and printing	1,516	1,167
Water and electricity	1,151	868
Insurance	1,036	1,835
Security service expenses	902	953
Hospitality expenses	815	817
Shari'a committee remuneration	780	711
Donations	460	961
Miscellaneous expenses	862	940
	<u>87,820</u>	<u>60,927</u>

28 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Contingent liabilities		
Unused financing facilities	3,050,023	822,630
Guarantees	1,112,593	801,618
Letters of credit	292,282	222,326
Acceptances	80,613	37,607
Others	19,872	5,462
	<u>4,555,383</u>	<u>1,889,643</u>

Unused financing facilities

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

Acceptances, Guarantees and Letters of Credit

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

Qatar International Islamic Bank (Q.S.C)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2013

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

Geographical sector

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

2013	<i>Qatar</i> <i>QR'000</i>	<i>Other</i> <i>GCC</i> <i>QR'000</i>	<i>Europe</i> <i>QR'000</i>	<i>North</i> <i>America</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Cash and balances with Qatar Central Bank	1,669,322	-	-	-	-	1,669,322
Due from banks	3,280,637	1,209,712	251,400	96,744	10,037	4,848,530
Financing assets	18,824,666	184,256	-	-	12,095	19,021,017
Investment securities	6,532,300	188,983	12,106	1,092	25,899	6,760,380
Investment in associates	306,398	-	-	-	65,138	371,536
Investment properties	666,305	306,046	-	-	-	972,351
Fixed assets	402,206	-	-	-	-	402,206
Other assets	376,124	-	-	-	-	376,124
Total assets	<u>32,057,958</u>	<u>1,888,997</u>	<u>263,506</u>	<u>97,836</u>	<u>113,169</u>	<u>34,421,466</u>
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	451,224	243,394	42,266	1,624	657,491	1,395,999
Customers' current accounts	5,670,809	-	-	-	-	5,670,809
Sukuk financing	679,063	299,877	514,390	13,474	1,035,278	2,542,082
Other liabilities	479,424	-	-	-	-	479,424
Total liabilities	<u>7,280,520</u>	<u>543,271</u>	<u>556,656</u>	<u>15,098</u>	<u>1,692,769</u>	<u>10,088,314</u>
Equity of unrestricted investment account holders	<u>19,019,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,019,226</u>
Total liabilities and equity of unrestricted investment account holders	<u>26,299,746</u>	<u>543,271</u>	<u>556,656</u>	<u>15,098</u>	<u>1,692,769</u>	<u>29,107,540</u>

Qatar International Islamic Bank (Q.S.C)

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At 31 December 2013

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

Geographical sector (continued)

2012	<i>Qatar</i> <i>QR'000</i>	<i>Other</i> <i>GCC</i> <i>QR'000</i>	<i>Europe</i> <i>QR'000</i>	<i>North</i> <i>America</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Cash and balances with Qatar Central Bank	1,354,077	-	-	-	-	1,354,077
Due from banks	4,749,145	515,765	138,600	42,909	3,155	5,449,574
Financing assets	14,663,014	-	-	-	12,096	14,675,110
Investment securities	4,412,067	510,080	28,475	10,405	43,092	5,004,119
Investment in associates	266,747	-	-	-	115,244	381,991
Investment properties	892,051	272,985	-	-	-	1,165,036
Fixed assets	209,780	-	-	-	-	209,780
Other assets	310,641	-	-	-	8,712	319,353
Total assets	26,857,522	1,298,830	167,075	53,314	182,299	28,559,040
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	70,430	66,340	11,372	2,405	664,120	814,667
Customers' current accounts	5,639,496	-	-	-	-	5,639,496
Sukuk financing	677,319	299,877	514,390	13,474	1,035,278	2,540,338
Other liabilities	299,331	44,989	2,822	4,142	5,679	356,963
Total liabilities	6,686,576	411,206	528,584	20,021	1,705,077	9,351,464
Equity of unrestricted investment account holders	14,171,539	-	-	-	-	14,171,539
Total liabilities and equity of unrestricted investment account holders	20,858,115	411,206	528,584	20,021	1,705,077	23,523,003

Qatar International Islamic Bank (Q.S.C)

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30 MATURITY PROFILE

<i>2013</i>	<i>Up to 3 months QR'000</i>	<i>3 to 6 months QR'000</i>	<i>6 months - 1 year QR'000</i>	<i>1 to 3 years QR'000</i>	<i>Over 3 years QR'000</i>	<i>Total QR'000</i>
Cash and balances with Qatar Central Bank	501,619	-	-	-	1,167,703	1,669,322
Due from banks	4,484,380	-	364,150	-	-	4,848,530
Financing assets	3,240,622	1,894,652	2,474,208	6,325,503	5,086,032	19,021,017
Investment securities	2,258,179	-	-	4,038,749	463,452	6,760,380
Investment in associates	-	-	-	-	371,536	371,536
Investment properties	-	-	-	790,531	181,820	972,351
Fixed assets	-	-	-	9,155	393,051	402,206
Other assets	303,633	72,491	-	-	-	376,124
Total assets	10,788,433	1,967,143	2,838,358	11,163,938	7,663,594	34,421,466
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	1,031,849	-	364,150	-	-	1,395,999
Customers' current accounts	5,670,809	-	-	-	-	5,670,809
Sukuk financing	-	-	-	-	2,542,082	2,542,082
Other liabilities	327,057	14,893	114,546	2,679	20,249	479,424
Total liabilities	7,029,715	14,893	478,696	2,679	2,562,331	10,088,314
Equity of unrestricted investment account holders	9,996,910	2,399,701	5,448,811	1,173,804	-	19,019,226
Total liabilities and equity of unrestricted investment account holders	17,026,625	2,414,594	5,927,507	1,176,483	2,562,331	29,107,540
Maturity gap	(6,238,192)	(447,451)	(3,089,149)	9,987,455	5,101,263	5,313,926

Qatar International Islamic Bank (Q.S.C)

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30 MATURITY PROFILE (CONTINUED)

2012	<i>Up to 3 months QR'000</i>	<i>3 to 6 months QR'000</i>	<i>6 months - 1 year QR'000</i>	<i>1 to 3 years QR'000</i>	<i>Over 3 years QR'000</i>	<i>Total QR'000</i>
Cash and balances with Qatar Central Bank	459,004	-	-	-	895,073	1,354,077
Due from banks	4,721,273	364,150	364,151	-	-	5,449,574
Financing assets	828,317	448,395	1,070,506	4,886,318	7,441,574	14,675,110
Investment securities	329,612	-	-	1,633,719	3,040,788	5,004,119
Investment in associates	-	-	-	-	381,991	381,991
Investment properties	-	-	-	849,104	315,932	1,165,036
Fixed assets	-	-	-	-	209,780	209,780
Other assets	223,147	61,187	35,019	-	-	319,353
Total assets	6,561,353	873,732	1,469,676	7,369,141	12,285,138	28,559,040
Liabilities and equity of unrestricted investment account holders						
Liabilities						
Due to banks	450,517	364,150	-	-	-	814,667
Customers' current accounts	5,639,496	-	-	-	-	5,639,496
Sukuk financing	-	-	-	-	2,540,338	2,540,338
Other liabilities	356,963	-	-	-	-	356,963
Total liabilities	6,446,976	364,150	-	-	2,540,338	9,351,464
Equity of unrestricted investment account holders	7,264,972	1,850,131	2,485,530	2,570,906	-	14,171,539
Total liabilities and equity of unrestricted investment account holders	13,711,948	2,214,281	2,485,530	2,570,906	2,540,338	23,523,003
Maturity gap	(7,150,595)	(1,340,549)	(1,015,854)	4,798,235	9,744,800	5,036,037

31 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year attributable to the shareholders of the Bank by the weighted average number of ordinary shares in issue during the year.

	<i>2013</i>	<i>2012</i>
Net profit for the year attributable to the shareholders of the Bank (QR'000)	750,311	679,025
Weighted average number of outstanding shares (thousands)	151,369	151,369
Basic and diluted earnings per share (QR)	4.96	4.49

32 CASH AND CASH EQUIVALENTS

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

	<i>2013</i> <i>QR'000</i>	<i>2012</i> <i>QR'000</i>
Cash and balances with Qatar Central Bank (excluding restricted QCB reserve account)	501,619	459,004
Due from banks	4,484,380	5,449,574
	4,985,999	5,908,578

The cash reserve with Qatar Central Bank is excluded as it is not used in the day-to-day operations of the Group.

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33 RELATED PARTIES

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

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

	2013			2012		
	<i>Associate companies</i> <i>QR'000</i>	<i>Board of Directors</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Associate Companies</i> <i>QR'000</i>	<i>Board of Directors</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>
Assets:						
Financing assets	513	239,838	115,525	2,137	130,808	78,854
Equity of unrestricted investment account holders	10,569	80,725	105,182	214,956	45,310	42,673
Off balance sheet items:						
Contingent liabilities, guarantees and other commitments	-	400	6,148	-	782	3,425
Consolidated statement of income items:						
Income from financing assets	28	13,191	6,354	118	7,194	4,337
Profit paid on deposits	159	1,211	1,578	3,224	680	640
Board remunerations	-	10,995	-	-	8,484	-

Transactions with key management personnel

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

	2013 <i>QR'000</i>	2012 <i>QR'000</i>
Mortgage and other secured financings	1,729	1,919
Credit card	19	13
	<u>1,748</u>	<u>1,932</u>

Key management personnel compensation for the year comprised:

	2013 <i>QR'000</i>	2012 <i>QR'000</i>
Short-term benefits	9,530	9,075
Long-term benefits	608	568
	<u>10,138</u>	<u>9,643</u>

34 ZAKAH

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

35 SHARI'A SUPERVISORY BOARD

The Shari'a Supervisory Board of the Group consists of 3 scholars who are specialised in Shari'a principles and they ensure the Group's compliance with general Islamic principles and work in accordance with the issued Fatwas and guiding rules. The Board's review includes examining the evidence related to documents and procedures adopted by the Group in order to ensure that its activities are according to the principles of Islamic Shari'a.

36 SOCIAL AND SPORTS FUNDS APPROPRIATION

The Group discharges its social responsibilities through donations to charitable causes and organizations when profits are reported. The Group have created provisions during the year of 2013 by QR 19 million which represents 2.5% of net profit as per Law No.13 for year 2008 and explanatory notes issued for 2010 (2012: QR 17 million).

37 COMPARATIVE FIGURES

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