



## Annual Report 2012



بنك قطر الأول  
QFB



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## Board Members

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**Mr. Abdullah bin Fahad bin Ghorab Al Marri**

*Chairman - State of Qatar*

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**Mr. Ibrahim Mohammed Al AbdulAziz Al Jomaih**

*Vice Chairman - Kingdom of Saudi Arabia*

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**Mr. Ibrahim Mohamed Ibrahim Al Jaidah**

*Board Member - State of Qatar*

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**Mr. Ahmed bin Abdullah Al Marri**

*Board member - State of Qatar*

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**Mr. Anwar Jawad Ahmed Bukhamseen**

*Board Member - State of Kuwait*

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**Sh. Hamad bin Nasser bin Jassim Al Thani**

*Board Member - State of Qatar*

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

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**Mr. Khalid Abdullah Khouri**  
*Board Member - United Arab Emirates*

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

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**Dr. Fahad Abdulla Al Damer**  
*Board Member - Kingdom of Saudi Arabia*

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

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

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# Shari'ah Supervisory Board Members

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Prof. Dr. Ali Al Quradaghi  
*Chairman*

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Shaikh Dr. Shafi Al-Hajri  
*Member*

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Shaikh Dr. Yahia Al-Nuami  
*Member*

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## Executive Team

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*First Row - Left to Right*

**Mohammed Al Sahli**  
*Head of Investor Relations*

**Emad Rashed Mansour**  
*Chief Executive Officer*

**Slim Bouker**  
*Chief Operating Officer*

**Mohamed Hassan Al-Khaja**  
*Head of Placement & Private Banking*

*Second Row - Left to Right*

**Hani Katra**  
*Chief Financial Officer*

**Ihab Asali**  
*Head of Private Equity*

**Marc Bonnassieux**  
*Chief Risk Officer*

**Tareq Shabib**  
*Head of Strategic Investments*

**Mai Al Mansoor**  
*HR Manager - Performance Management & Qatarization*

**Ian McInerney**  
*Head of Compliance*

**Shadi Zubeidi**  
*Head of Corporate Finance*

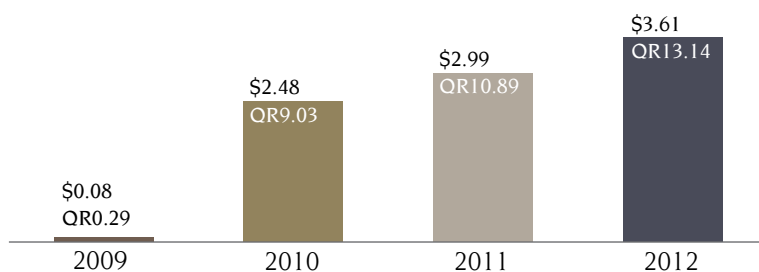
**Eugene Yeoh**  
*General Counsel*

**Ismail Alawadhi**  
*Head of Shari'ah Compliance*

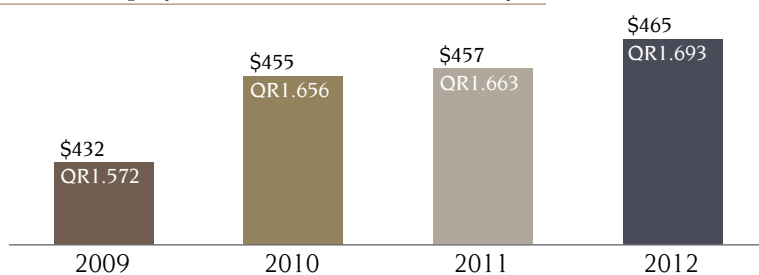


# Financial Highlights

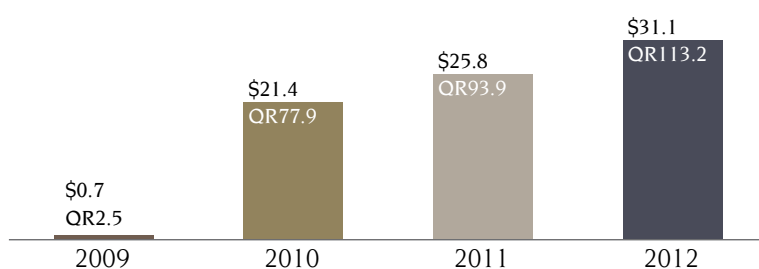
## Earnings per share (US cents)/(QAR dirham)



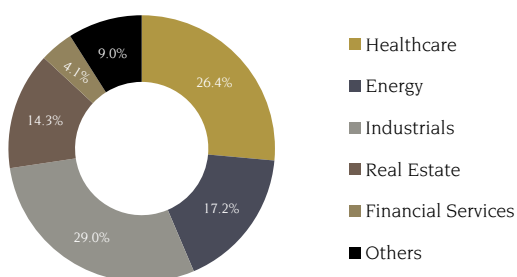
## Owners' equity (Million US\$)/(Billion QAR Riyal)



## Net income (Million US\$)/(Million QAR Riyal)



## Investments by Sector





**\$350** mn Total Invested Capital  
\*QR1.274bn

**\$301.8** mn Total Income  
\*QR1.100bn

**\$31.1** mn Net Income  
\*QR113.2mn

**5** New Investments  
**2** Exits

\* Equivalent in Qatari Riyal



# Chairman's Annual Review

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In the name of Allah the most Compassionate and the most Merciful, may God bestow his prayers and peace upon our Prophet Mohamed, his Relatives and Comrades.

After four years of launching the bank in 2009, we have since then succeeded in affirming our leadership in the investment banking industry. Building on this success and after upgrading our license to Category 5, the most comprehensive granted by the Qatar Financial Center, which allows the bank to move beyond the usual operation of an investment bank, we took the decision to evolve our business model to offer a full suite of financial products and services. To reflect this change in our business strategy it was decided to change the name of the bank to Qatar First Bank.

This represents a new phase for the bank which we hope will carry new opportunities for growth and marking further success.

In this respect, it is my pleasure to present you with the first annual report in our capacity as Qatar First Bank (QFB). This annual report documents the major achievements and financial highlights for the year ended 31st December, 2012, achieved by Qatar First Investment Bank.

## **Economic Climate**

The global economy continued to face economic stress during 2012, growing on average by 3.3%, according to the IMF World Economic Outlook.

It was in this climate that the U.S economy grew by 1.3%, desperately struggling to remain buoyant amidst a huge swathe of spending cuts and the shadow of the 'fiscal cliff' dilemma, which made predictions for improving the economy conservative, at best. Within the Eurozone, the sovereign debt crisis continued to be a serious issue, as banks were forced to de-leverage funds and undertake a broad fiscal consolidation.

However, despite the economic stress impacting Europe and the U.S so dramatically, emerging and developing economies across the globe grew by 5.3%, illustrating there were still significant in-roads and opportunities available for the shrewd investor.

## **The GCC And MENA Region**

Economic disruption is still evident in some neighboring Arab countries due to sociopolitical instability, inhibiting growth and investments. However, QFB remains realistically optimistic that once reforms begin to take shape, there will be an abundance of investment opportunities across a wide variety of industries and sectors, which will continue to bolster the economic riches of the region. This, in turn, will lead to sustainable, inclusive growth and place Qatar at the heart of the region's expanding economies in 2013 and beyond.

## **2012 Highlights**

In 2012, our investment strategy continued to focus on sector and geographical diversification. This has proven extremely successful and has seen expansion into new markets and sectors.

For the first time we ventured into the United Kingdom with the acquisition of two prime buildings in central London.

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We also ventured into our first investment in the retail sector with the acquisition of 40% stake in English Home, the leading Turkish home textile retailer.

The year ended 2012 also saw QFB receive informal approval from the Qatar Exchange to list the bank in 2013. This is an achievement we are particularly proud of, providing us with the strategic leverage that allows our existing shareholders to trade their shares, as well as providing QFB with access to more capital for funding future acquisitions and implementing our ambitious growth plans.

### Looking To The Future

Given our success over the past four years in generating sound returns in spite of economic limitations, we are confident that we will continue to thrive as the global economy continues to face difficulties.

We envision 2013 to be a year of opportunity and change. Not only will we be expanding our business into Wealth Management, offering bespoke products and services to the ultra high net worth individuals in the region, but we will be opening our first QFB branch in Qatar, as well as working towards our upcoming listing on the Qatar Exchange.

On behalf of the Board of Directors, I extend my sincere gratitude to His Highness, the Emir, Sh. Hamad Bin Khalifa Al Thani and His Highness, Sheikh Tamim Bin Hamad Al Thani, the Crown Prince, for their continued support and belief in Qatar First Bank and Qatar's Financial Institutions.

I thank our shareholders and business partners for their continued loyalty, faith and support; the wise counsel and guidance of our Shari'ah Supervisory Board; and the Bank's management and staff for their ongoing commitment.

May Allah enlighten our path and bless us to realize our vision of becoming the leading Shari'ah compliant wealth management bank in the region.



**Abdullah bin Fahad bin Ghorab Al Marri**  
*Chairman*



## CEO Message

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It is with great pleasure that I present you the Management's Operational review of 2012.

Despite these global economic uncertainties, we managed to build on the successes of the last four years establishing the Bank as a market leading and results driven financial institution. During 2012 we succeeded in closing five transactions in new geographies and sectors and exited one of our largest portfolio companies. This led us to close 2012 registering a gross income of US\$ 301.8m (QAR1,100 billion) an increase of %29 on 2011. Our net income of US\$ 31.1(QAR 113.2m) showed an increase of 21% on our 2011 figure. We invested US\$ 148m (QAR538.72m), bringing the total amount invested to US\$350\$m (QAR1,274 billion) to date.

During the year we continued exploring various options to broaden our area of expertise beyond investment banking. This required us to change our name to Qatar First Bank to better reflect the evolution of our business model.

2012 has been a year where adapting and evolving have been the bedrock of our business activity. And, because we have a resilient and robust business model, we are fully capable of delivering success amidst any uncertainty that the global financial markets may present.

### Principal Investments

#### New Investments

##### Prime Real Estate Acquisition in London

London's property market has become an extremely attractive target for investors. In a market where prices are set to increase by 19% in the coming year, our investment in two prime-location buildings in Central London was a prudent and potentially highly lucrative move.

The properties, in Leinster Square, Bayswater; and Westbourne Grove, Notting Hill are in two of the most desirable locations in London. The conversion of these two properties into luxury residential apartments will reap a significant profit for QFB once they are sold to local and international buyers, after a period of 2-3 years.

Whilst the UK property market is outside of our typical area of activity, they offer a pathway to a new and highly lucrative market. This shows our willingness to exploit opportunities, wherever they may be, for the benefit of our investors and the health of the bank.

##### Al Wasita Emirates

Another milestone deal for QFB was the acquisition of a majority stake in Al Wasita Emirates, the UAE based Total Support Services Management Firm.

This management buyout is the bank's third successfully completed deal in the industrial sector, underlining the importance QFB places on the diversification and sector variances within its investment strategy.

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As our Principal Investments teams have illustrated in the past, they are uniquely experienced at leveraging our network of contacts across the MENA region and Turkey, helping to grow the business beyond its current operating parameters.

### **Wasita Qatar**

The Doha based industrial catering and support services firm, Wasita Qatar, was established in June 2012 under the legal name of ISNAD and is another landmark transaction for QFB. This investment marks the first Greenfield project undertaken by the bank – which will operate under the brand name, Wasita.

Support services will be increasingly in demand in the region, so this strategic investment will prove highly valuable, particularly with the Qatar World Cup of 2022 set to dramatically boost the demand to unprecedented levels.

### **English Home**

The growth of the Turkish economy has seen it rise to become the second fastest growing economy in the world after China, with an 8.5% growth in 2011. The leading Turkish textile company, English Home, was an ideal investment opportunity for QFB, after exponential growth saw the retailer grow from 4 to 115 stores in only four years. The business, owned by the Aydin family, also has a presence in the Ukraine and franchises in Cyprus, Albania, Azerbaijan and Iraq.

This staggering progress has been further boosted by the Fitch Group's recent upgrade of Turkey's economy to 'investment grade.' This means QFB is not only set to maximize on its shrewd investment, but is also leading the way in developing a deeper and broader portfolio of clients in the country.

## **Exits**

### **QCon**

One of the first exits of 2012 saw QFB sell its entire stake in QCon to a Qatari investor, generating an internal rate of return (IRR) of 43%.

This significant return was achieved by creating a close and mutually beneficial relationship with QCon's management team. QFB advised the QCon board during a particularly difficult trading period, offering business expertise and hands-on assistance. This ensured that QCon not only survived, but also thrived; expanding its operations and guaranteeing a strong return on QFB's initial investment.

### **ENPI Group**

After a holding period of three years, QFB successfully exited its 71.3% stake in the packaging business of Emirates National Factory for Plastic Industries (ENPI Group) to a Saudi investor while retaining FutureCard and TechnoCard: the technology business arms of the company. QFB's majority share in ENPI was sold to Saudi Printing & Packaging Co. (SPPC). The successful exit of ENPI has generated an internal rate of return for the bank of 31%.

This, again, is testament to our hard work and determination to fully understand and maximize investments within our portfolio. Despite difficult and often treacherous market conditions, it clearly shows we are still able to generate sound returns for our investors.

## CEO Message (continued)

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### Investment Portfolio Updates

#### Al Rifai

In 2012, QFB increased its share in Al Rifai to reach 35%. Our confidence in the strong growth potential of the Food & Beverage manufacturing industry, coupled with Al Rifai's ability to develop and expand into new markets, prompted us to increase our investment in the company.

#### Kuwait Energy

The continuing growth of the Exploration & Production (E&P) sector in the MENA region encouraged us to support Kuwait Energy's expansion plans, by signing a strategic investment agreement in the form of a convertible, Shari'ah compliant Murabaha.

QFB has provided Kuwait Energy with a convertible financing facility of up to US\$150m in order to support Kuwait Energy's growth plans. This facility carries a fixed cash profit rate and is mandatorily convertible into equity upon Kuwait Energy's initial public offering, which is expected in 2013.

#### Al Noor

October 2012 saw QFB finalize a significant dividend recap facility with the Al Noor Medical Company (ANMC). This highly successful dividend meant QFB received 96% of the initial investment made in ANMC, over a 2.5 year period, whilst still maintaining 8.75% ownership of the company.

### Corporate Finance

The Corporate Finance team had a rewarding and successful year in 2012. There was a considerable amount of work undertaken to introduce our service to prospective clients, opening doors to some considerable projects, which included raising 200\$ million of debt and equity capital for a real estate project in Qatar; and raising over 100\$ million of Shari'ah compliant funds from financial institutions across the GCC. In addition the team helped a regional investor successfully dispose of a minority stake in a prominent Saudi Arabian petrochemical company.

Our mission to offer a truly astounding Corporate Finance Service is proving to be extremely successful across the region, and we aim to build on this in 2013 with an even greater portfolio of strategic investment opportunities.

### Tebyan Asset Management

The last twelve months saw Tebyan launch the CHIME Fund – an open-ended fund for qualified institutions and individuals. QFB seeded the fund with an initial \$10 million, and is set to reap solid financial rewards, with this first-of-its-kind fund acting as a focal point for investments across the Arab-India-China regions.

The fund's unique approach means investors have a 'long-only' timeline, which aims to achieve consistent positive returns over the Tebyan CHIME Islamic Composite Index. It was established in conjunction with Dow Jones – a leading global index provider – in order to benchmark its performance.

### Treasury

The Treasury department improved on its strong performance in 2012 and managed to generate positive returns in the Money and Capital Markets, despite operating in one of the lowest profit – rate environments on record.

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The team's Sukuk portfolio flourished through the dynamic hedging practices undertaken by the department; and the use of Islamic REPO as a funding instrument has enabled the team to self-fund the investments, with a view to allowing our clients to use this highly valuable service. Asset and Liability Management capabilities were also expanded, with the department using unique, Shari'ah compliant hedging tools.

The last twelve months have seen the Treasury Department extend its capabilities and deepen relationships with regional and international financial institutions, which has increased existing trading lines and ideally positioned the bank for further growth in 2013. The next twelve months will see the bank offer highly tailored solutions to suit our individual clients' needs, which we believe will consolidate our standing as the first choice for Treasury and Investment Products in the region.

## Human Resources

2012 has seen the bank focus on developing its workforce to an even greater extent, growing our staff to 92; an increase of 9% on 2011.

This is a statement of our success as a bank and also of our commitment to developing our human capital as part of our 'Qatarisation' policy, which aims to attract the best talent to our team.

A highly successful program implemented in 2012 was the 'Executive Program,' a one year development internship aimed at preparing university graduates for a career in the banking industry. The feedback from those involved has been unanimously positive, and we are set to repeat its success in 2013.

## Information Technology

IT systems are an integral part of our daily operations and our new infrastructure is set to become the first of its kind in Qatar's financial sector. By partnering with Microsoft to create a Data Centre and Disaster Recovery Site, which will use a private Cloud Computing system to ensure our systems utilize market leading security and safety measures, we will have an unmatched software system that insures us against any possible system failure.

We look at the future with great optimism as we continue to build on our past successes. We are confident that the launch of our wealth management services will be well received by investors and will prove to be a positive addition to our existing lines of business. We look forward to the first QFB branch which we hope will become the destination of choice for HNWI.

This new focus on Wealth Management; our new brand –name of QFB, and a renewed determination to extend our reach even further in the region will allow us to build on our past achievements and make 2013 another highly successful year for the business and our shareholders. All this will enable us to focus on our vision of building a leading Shari'ah compliant financial institution in the MENA region.



**Emad Rashed Mansour**  
Chief Executive Officer

# Corporate Governance

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

The Board of Directors (Board) is elected by the shareholders to oversee management and to ensure that the interests of the shareholders are being served. At the shareholders meeting in 2012 the entire Board was re-elected for a three year term. In the past financial year, Mr. Mike de Graffenreid resigned as a Director and two new Directors were elected, being, Mr. Mohammed Al-Hajri and Mr. Mosabah Al-Mutairy.

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

The members of the Board focus on the areas that are important to shareholders, strategy, risk management, management development and performance, and regulatory and legal matters. Both the Board and management recognize that the interests of our shareholders are advanced by responsibly addressing the concerns of other stakeholders and interested parties including employees, recruits, customers, suppliers, local communities, government officials and the public at large.

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

In the year 2012, in anticipation of the upcoming listing of QFB at the Qatar Exchange, and to support the Board in the discharge of its functions under its regulatory framework, the following committees were maintained and/or newly constituted:

## **Executive Committee**

This committee is composed of seven non-executive Directors to provide oversight of QFB's business. Its main functions are:

- Strategic Planning
- Investment Risk Management
- Performance Monitoring

The committee reviews and recommends strategic plans, (updated) policies, annual budgets, business plans, projects and investment plans.

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### **Audit, Risk and Compliance Committee**

This committee is responsible for reviewing and approving the financial statements, setting internal audit controls, internal and external audit, ensuring compliance with the relevant accounting standards and reporting responsibilities, establishing a risk profile for the Board and ensuring compliance with the relevant laws and regulations. The Audit, Risk and Compliance Committee reviews QFB's Annual Report, the notes thereto and related regulatory filings and considers the accuracy and completeness of the information before release. At present, four non-executive Directors, the majority of whom are independent Directors as required by QFB's Articles of Association, make up the composition of the committee.

### **Remuneration Committee**

This committee is composed of seven non-executive Directors whose primary mandate is to consider and make recommendations on the remuneration policy relating to the Chairman, the Board and senior executive management. The Committee is responsible to present to the shareholders at the annual general meeting its recommendation on the remuneration policy related to the Chairman and the Board.

### **Management Committee**

The Management Committee formally meets every month to discuss the ongoing strategic and tactical issues faced by the bank and the industry at large. This committee is chaired by the Chief Executive Officer and comprises of the Chief Operating Officer, Head of Private Equity, Head of Strategic Investments and the Head of Compliance.

### **Nomination Committee**

This committee's seven non-executive Directors recommends Board members' appointments and nominations for re-election to the shareholders at the annual general meeting.

## Corporate Governance (continued)

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### Shari'ah Supervisory Board

The Board is also responsible to appoint the Shari'ah Supervisory Board (SSB). The SSB is entrusted with the task of providing binding opinions and reviewing all of QFB's activities to ensure compliance with the principles of Shari'ah law. The SSB is led by Professor Dr. Ali Al-Quradaghi and comprises three scholars. The SSB issues an annual report to the Board emphasising all findings and opinions about the execution of the Company's transactions according to the Shari'ah. The SSB has since been invited by the Board to present its findings at the shareholders annual general meeting.



# Risk Management

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The Bank's risk management process is an integral part of the organization's culture and is embedded in all of its practices and processes. The Board Executive Committee, Audit, Risk and Compliance Committee, senior management and line managers all contribute to the effective, Bank wide, management of risk.

The Board has overall responsibility for establishing the Bank's risk culture and ensuring that an effective risk management framework is in place. The Board approves and periodically reviews the Bank's risk management policies and strategies. The Audit, Risk and Compliance Committee are tasked with implementing risk management policies, guidelines and limits as well as ensuring that monitoring processes are in place. The Risk Management Department provides independent monitoring to both the Board and the Audit, Risk and Compliance Committee whilst also working closely with the business units which ultimately own and manage the risks. The Chief Risk Officer reports to the Audit, Risk and Compliance Committee and has access to the Chairman and other Board members.

## **Investment Risk Management**

Proprietary investment risks are identified and assessed via extensive due diligence activities conducted by the investment departments. Investments in private equity/venture capital are by definition less liquid than other investment assets, and due to promising returns, typically originated from emerging markets. Consequently, QFB applies direct means in order to gather relevant information and make well-informed investment decisions. Detailed deal assessments are performed by the investment teams and complemented by risk assessments and management of investment-related risks through the Risk Management Department.

Post-acquisition deal monitoring and management is performed rigorously, mainly via board representation on the investee companies, throughout the life of the investment. Internally, QFB's deal and risk teams perform periodic reviews of investments which are presented and discussed in the Investment Management Committee. Concerns over risks and performance are addressed via the investment area responsible for managing the investment under the oversight of the Investment Management Committee. Additionally, the Risk Management Department conducts independent monitoring and review exercises.

## **Treasury Risk Management**

### **Liquidity Risk**

The Bank's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they come due and to support its investments funding requirements.

To achieve this, the Bank's strategy is to follow a disciplined liquidity management planning and to maintain a stock of liquid assets, made up of: short-term placements with highly rated financial institutions, and a portfolio of marketable investment grade Sukuk; to ensure that sufficient liquidity is maintained at very controlled risk within the Bank as a whole.

Besides, the Bank has set robust governance around its liquidity risk management translated in liquidity policies and procedures that are subject to review and approval by ALCO which also monitors the Bank's liquidity position in a regular basis.

## Risk Management (continued)

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### **Credit Risk**

QFB has limited exposure to credit risk which arises primarily from the short-term placements with financial institutions and form the Sukuk portfolio.

The Bank has established various mechanisms and tools to manage and monitor credit risk, including: setting exposure limits for financial counterparties which are continuously monitored by Risk Management, and reviewed by the Board annually; engaging with highly rated financial institutions only and regularly monitoring their credit ratings (as issued by Moody's, Fitch and Standard&Poor's); and investing in investment-grade Sukuk only and regularly monitoring their credit ratings.

### **Foreign Exchange Risk**

QFB's exposure to Foreign Exchange (FX) risk arises mainly from its investments in Turkey and the UK. In order to mitigate this risk, the Bank seeks to hedge open FX positions, where and when necessary and economically beneficial, through Shari'a compliant cross currency swaps and FX forwards (Wa'ad based contracts).

Open FX positions are monitored by the Risk Management Department in a daily basis and the overall risk is measured using sensitivity analysis, Value at Risk and stress testing methodologies.

### **Profit Rate Risk**

The Bank's exposure to profit rate risk is very limited and is driven by: its placements with financial institutions, its borrowings from financial institutions, and its investments in Sukuk. In its approach to mitigate this risk, the Bank make use, when necessary, of Shari'a compliant Profit Rate Swaps transforming a fixed-rate profile to a floating-rate profile benchmarked against LIBOR.

## **Corporate Risk Management**

### **Operational Risk**

The Bank manages operational risk through appropriate controls, instituting segregation of duties and internal checks and balances, including internal audit and compliance.

The Risk Management Department facilitates the management of Operational Risk by way of assisting the different departments of the Bank in the identification, monitoring and management of operational risk. To achieve this, the Risk Management Department has put in place a framework for Risk and Control Self-Assessment and Key Risk Indicators.

### **Other Corporate Risks**

The Bank continuously assesses, monitors, and manages the other corporate risks which include regulatory and Shari'a compliance risk, strategic risk, reputational risk, legal risk. In its approach to manage these risks, the Bank maintains a set of policies and procedures allowing to ensure that proper governance around these risks is in place.

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## Investment Updates

## New Investments

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**40.0%**  
Stake

English Home

Date	November 2012
Sector	Retail
Country	Turkey

### Company Description

English Home is a leading retailer of home textile products in Turkey having the largest market share with a strong presence in all major Turkish shopping malls

English Home has a full-fledged product range of home textile products offering various choices under each category making it a one-stop-shop for consumers

### Major Highlights

English Home is led by a strong management team with a proven track record in the textile and retail business

English Home has witnessed significant growth where its number of stores increased from 3 in 2008 to over 117 in 2012

Strong growth potential on the back of Turkey's positive macroeconomics and demographics as it benefits from increasing purchasing power alongside a young and growing population in addition to the upgrade of Turkey to "Investment" grade.

English Home is expected to maintain its strong growth with the number of stores expected to exceed 235 by 2017.





## New Investments

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40.5%  
Stake

Date  
Sector  
Country

August 2012  
Real Estate  
UK

### Leinster Square building

#### Project Description

QFB in association with a group of investors from GCC acquired the Leinster Inn Hotel, located in the Bayswater Conservation Area of Central London

The property is a Grade II Listed building and was constructed in 1857. It is located in Leinster Square, one of London's last remaining undeveloped garden squares

The property is arranged over six fronted terraced buildings, comprising basement, ground and six upper floors with a total gross internal area of circa 31,500 square feet

#### Major Highlights

QFB plans to convert the hotel into 11 luxury townhouses and apartments with a total buildup area of circa. 27,000 square feet. The apartments will enjoy access to the garden square

It will take 2 to 3 years to receive planning permission, convert, and sell the units.

QFB has appointed Alchemi Group a professional real-estate development manager to deliver the project.



## New Investments

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**85.0%**  
Stake

Date **July 2012**  
Sector **Industrials**  
Country **UAE**

### Al Wasita Emirates for Services & Catering



#### Company Description

Established in 2008 in the UAE, Wasita Emirates for Services & Catering provides On-shore and Off-shore Contract Catering, Operations and Maintenance Services, Supply & Logistics Services, Cleaning, Laundry, and Accommodation Services

Wasita has strong management team with over 20 years of industry experience.

The company adopts a unique business model and was one of the first catering companies to be HACCP certified in the UAE maintaining edge over its competitors

The company employs 1,000+ well trained and certified staff by Abu Dhabi Food Control Authority

Wasita has produced over 15 million meals to date serving Abu Dhabi, Sharjah and Ras Al Khaimah

Wasita's target sectors are the military, oil & gas and healthcare sectors

Strong financial performance with revenue growing at a CAGR in excess of 40% over the last 3 years.

#### Major Highlights

Wasita has achieved robust growth with revenue and net profit growing by a CAGR of 39% and 42% over the last three years.

In 2012 the company started building and operating labor camps and has finalized two fully serviced labor camps with a capacity of 5,000 residents in the Western Region of Abu Dhabi. The two camps are fully occupied with a long waiting list

Al Wasita caters for the biggest contractors including Samsung, Hyundai, Daewoo, Kettaneh, Schlumberger and Al Habtoor Engineering. Moreover, the Company has been consistently working with the military institutions of the UAE over the past 4 years

Strong potential envisaged to expand regionally especially Saudi Arabia, Kuwait, Iraq and Libya.

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## New Investments

# 75.0%

Stake

Date  
Sector  
Country

June 2012  
Industrials  
Qatar

## Wasita Qatar

### Company Description

Established in 2012, Wasita Qatar for Catering and Services provides Contract Catering, Operations & Maintenance Services, Supply & Logistics Services, Cleaning, Laundry, and Accommodation Services

The brand operates legally under the umbrella of Isnad for Catering & services which is 75% owned by QFB, 15% owned by Wasita board and the remaining 10% owned by Qatar based Al khon & Dakira Schemes & Services Company (AKD)

Wasita Qatar marks the first Greenfield project undertaken by QFB

### Major Highlights

Wasita Qatar is well positioned to benefit from the positive industry dynamics as major government initiatives (especially with the Country hosting the FIFA World Cup in 2022) are to significantly drive an increase in the demand for catering and support services in Qatar

Wasita Qatar is led by the key management team of Al Wasita Emirates for Services & Catering

Wasita Qatar will utilize the brand name Al Wasita and leverage on its qualifications and accreditations providing a competitive edge over competition

The Company operations began early 2013



## New Investments

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38.1%

Stake

Date	June 2012
Sector	Real Estate
Country	UK

### Westbourne House building



#### Project Description

QFB in association with a group of investors from the GCC acquired Westbourne House, a 1980's office building located on Westbourne Grove in Bayswater, Central London. The property is just two minutes from Notting Hill and Hyde Park, in the City of Westminster

The project currently comprises a high quality office and retail building arranged over lower ground, ground and five upper floors with a total net internal area of 35,047 square feet. It is presently rented to commercial tenants

#### Major Highlights

QFB is looking to capitalize on the growing demand for real estate in Central London by converting the building into residential apartments, ranging from 1- 3 bed with a total buildup area of circa. 34,000 square feet

It will take 2 to 3 years to receive planning permission, convert, and sell the units

QFB has appointed Alchemi Group a professional real-estate development manager to deliver the project

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## Exited Investments

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# 31%

IRR

### Emirates National Factory for Plastic Industries

QFB acquired a 71.3% stake in ENPI Group in July 2000, QFB has played an instrumental role in cementing ENPI's position as a leading player in the plastic packaging solutions industry by streamlining the business, institutionalizing operations and expanding ENPI's manufacturing base to include Abu Dhabi and Saudi Arabia. This led to generate an annual growth in excess of 30% over the last 3 years

After a holding period of three years, QFB sold ENPI Group to Saudi Printing & Packaging Company while retaining FutureCard and TechnoCard: the technology business arms of the company. The successful exit has generated an internal rate of return (IRR) of 31%



# 43%

IRR

### Qatar Engineering & Construction

QFB acquired a 41.59% in Qatar Engineering & Construction (QCon) in 2009. QFB supported Qcon's management team through a difficult trading period, providing hands-on advice and enabling region-wide expansion. The investment holding period was two years and 6 months.

In March 2012, the bank sold its complete stake in Qcon to a Qatari investor, generating an internal rate of return (IRR) of 43%.







## Corporate Social Responsibility



# Corporate Social Responsibility

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Our Corporate Social Responsibility policies dictate how the bank interacts with the wider community, allowing for an active role in supporting institution and projects, that help educate and empower young people.

This activity is focused on developing the skills of the younger generation, offering them the opportunity to learn vital skills that will help them become pillars of their communities and contribute positively to society. We are proud of our achievements in 2012.

Some of the highlights of our CSR activity:

## **The Youth Change Everything Conference**

In February, QFB – in association with The Youth Company – sponsored the highly popular and unconventional Youth Change Everything Conference at Carnegie Mellon University in Qatar. This two day event focussed on developing the leadership and entrepreneurial skills of young people through a wide variety of workshops, which sought to enhance their networking skills and nurture the talent of the future.

As a proud partner of The Youth Company, QFB is committed to supporting young entrepreneurs as part of its ongoing CSR activity where we can have a powerful impact on local education in a positive, direct way.

## **Sponsorship of the First International Schools Arabic Debating Competition**

In April 2012, QFB was the proud sponsor of the First International Arabic Debating Championship, which took place at Education City, with 21 teams participating from across the Arab world.

This national initiative focused on encouraging positive dialogue, and teaching young people to debate and listen to differing opinions with understanding and patience. Sponsorship of this unique event reinforced QFB's commitment to educate and develop the talent of the Qatari youth, in line with the Qatar National Vision 2030, which aims to nurture a knowledge-based economy.

## **Educational Futures: Innovation & Aspirations Conference**

October saw the sponsorship of the Educational Futures: Innovation & Aspirations Conference, organized by the Alliance for International Education and hosted by the International School of London in Qatar.

The conference brought together over 300 global and local education specialists, who presented initiatives underlining the future of learning in the region, promoting intercultural understanding and further bolstering the region's education sector in Qatar.

## **The Launch of the First Summer Internship Program**

In July, the first Summer Internship Program was launched, offering eight high school students a unique glimpse into the world of investment banking.

The highly experienced staff at QFB acted as mentors to the students, providing insight and advise on every aspect of the bank's functions. This highly successful program is set to become an annual fixture, delivering expertise and workshops to support the young business leaders of tomorrow.

## Corporate Social Responsibility (continued)

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### **Sponsorship of the Sixth Annual Young Entrepreneurs Competition**

The Sixth Annual INJAZ Young Entrepreneurs Competition took place in Doha, in November, under the patronage of the Qatar Foundation, where QFB was a Silver Sponsor. This exciting and successful event saw 5430 participating students working to create 240 student companies.

QFB has been a board – member of INJAZ Qatar since 2010, and is proud of the role it has played in supporting educational initiatives across the region.

### **Our Work in The Community**

The Qatar First Bank is a community – minded business constantly striving to make a positive impact on the local and wider communities of the region.

Contributing to the local community is an obligation that no business should ignore. As such, by leveraging financial knowledge, QFB is able to have a direct impact on the lives of those in our community, creating and implementing educational, social and cultural activities for the benefit of organizations and people.

#### **Iftar for the Qatar Orphan Foundation**

One of the highlights of our community work in 2012 was the hosting of a special iftar in July, in celebration of Garangaou, for the children of the Qatar Orphan Foundation (Dhreima). This rewarding event formed part of the QFB's annual Ramadan Blessings Campaign and highlighted the importance the bank places on engaging with the less fortunate members of our community to promote solidarity and brotherhood.

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# Shari'ah Supervisory Board Report

# Shari'ah Supervisory Board Report for The Financial Year Ended 31 December 2012

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## **To: the Shareholders of Qatar First Investment Bank**

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

In compliance with the terms of letter of appointment, the Shari'ah Supervisory Board (refer to hereafter as "SSB") of Qatar First Investment Bank (refer to hereafter "the Bank"), have carried out its tasks as follows:

- 1- The SSB, in coordination with the management, have developed Shari'ah Standards and guidelines for the Bank and ensured their implementation;
- 2- The SSB have endorsed tasks performed by its Executive Member which consists of formulating, reviewing and preparing contracts and agreements presented to the SSB during the period and have made the necessary amendments to comply with Shari'ah principles and rules. The Executive Member's responses to the questions and queries raised by the Bank were also approved by the Board;
- 3- The Executive Member has, through series of meetings and when required, articulated principles and guidelines related to all aspects of banking activities. The Executive Member has also identified and provided innovative Shari'ah compliant solutions for many new banking's issues which were approved by the SSB;
- 4- The SSB, through internal Shari'ah audit, have provided an adequate supervision over the activities of the Bank to ensure compliance with Shari'ah principles and proper implementation of the transactions;
- 5- The SSB have endorsed and approved the financial statement and balance sheet and ensure that the allocation of profits and losses related to the investments conform with the Shari'ah principles;
- 6- The SSB have calculated Zakat according to the approved guidelines and in the light of statement of financial position for 2012 as presented;
- 7- The SSB have supervised principles applied by the Bank as well as the transactions and deals entered into by the Bank during this period where the SSB performed the diligent supervision in order to express a transparent opinion on whether the Bank has complied with Shari'ah principles and Fatwa and resolutions issued by the SSB.

In order to ensure proper implementation, the SSB have, through the Sharia Audit Department, conducted review and examination on documentation of products and procedures adopted by the Bank so as to obtain all the information and explanations that the SSB considered necessary in providing them with sufficient evidence to give assurance that the Bank has not violated any rules or principles of Shari'ah and Shari'ah Standards of AAOIFI;

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the provisions and principles of Shari'ah as well as abiding by specific Fatwa and guidelines issued by the SSB. As far as the SSB's responsibility is concerned, it is limited only to expressing an independent opinion, approving the contracts, reviewing, Shari'ah auditing and playing guiding role based on Shari'ah principles.

### **Shari'ah Supervisory Board's Opinion:**

- a) The contracts, transactions and dealings entered into by the Bank and which were presented to the SSB do not contradict with Shari'ah rules and principles;
- b) The investments of the Bank have been performed through Shari'ah compliant contracts, instruments and products as approved by the SSB and do not conflict with the principles of Shari'ah and in accordance with Shari'ah Standards of AAOIFI ;
- c) After reviewing the consolidated statement of financial position and consolidated income statement for year 2012, the SSB did not notice any violation of Shari'a rules and principles;
- d) All earnings that have been realized from sources or by means prohibited by rules and principles of Shari'ah have been (or would be) disposed of to charitable causes.

In conclusion, we avail ourselves of this opportunity to express our thanks and sincere prayer to those who have contributed to this great organization; our special thanks go out to the Board Members, the Chairman and to the Executive management of the Bank for their efforts, response and cooperation with the Executive Member of Shari'ah Supervisory Board, praying for Allah, the Almighty, to bless them continuous growth and successes based on Shari'ah principles and fearing Allah in a way that contributes to the development of our country.

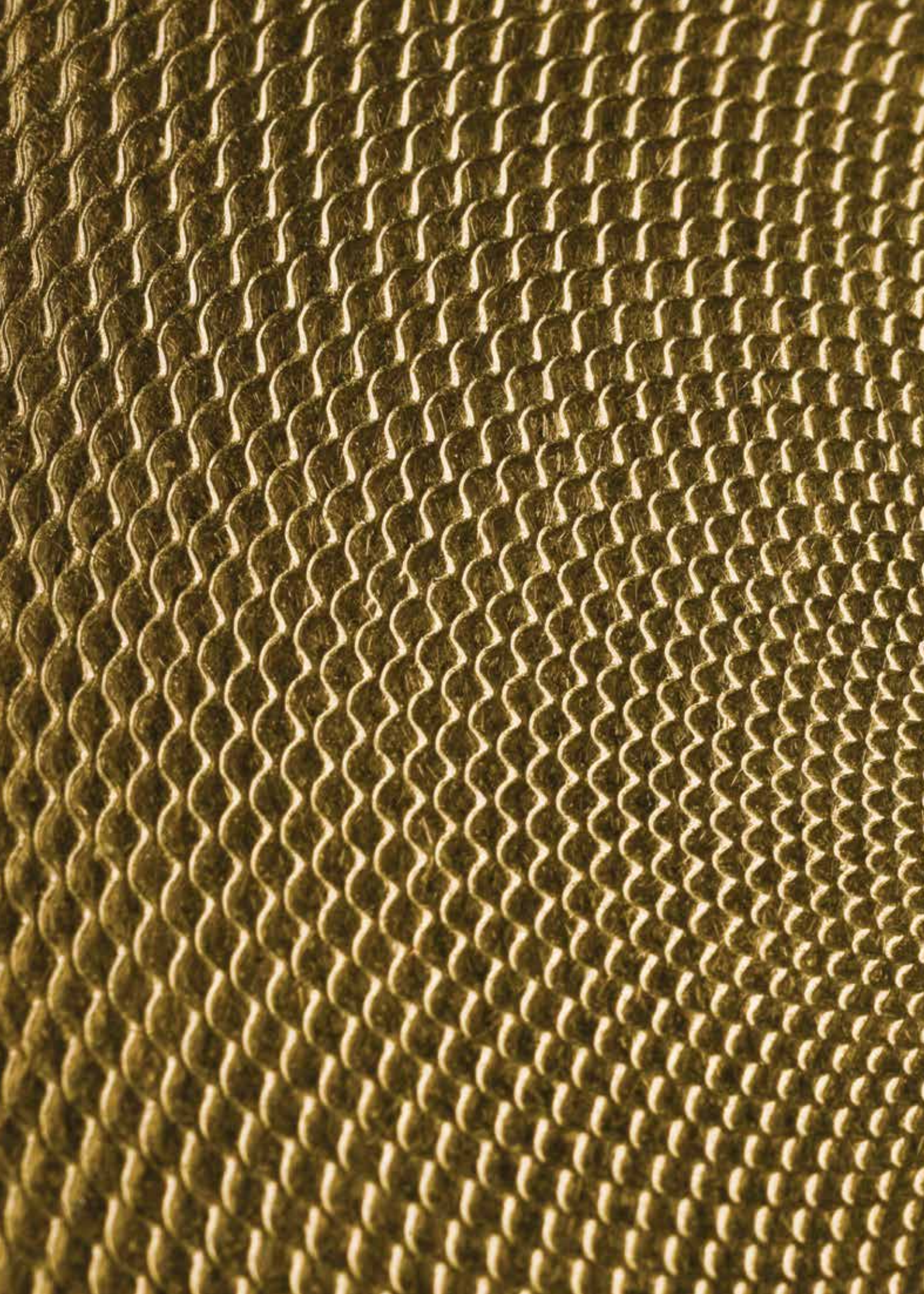
The last of our prayer is praise is to Allah, the Lord of the worlds.



**Shaikh Dr. Ali Mohi - Aldeen Al - Ouradaghi**

Chairman and Executive Member of the Shari'ah Supervisory Board







# Financial Statements

# Independent auditors' report to the shareholders of Qatar First Investment Bank L.L.C

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

We have audited the accompanying consolidated financial statements of Qatar First Investment Bank L.L.C (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012 and the related consolidated statements of net income, changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes

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

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

## **Auditor's responsibility**

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

## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2012 and of the results of its operations, its cash flows, and changes in owners' equity for the year then ended in accordance with Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank.

## **Report on regulatory requirements**

As required by the Companies Regulations 2005, we report that the consolidated financial statements have been properly prepared in accordance with the applicable provisions of the Companies Regulations 2005 and the applicable requirements of the Qatar Financial Centre Regulatory Authority.

PricewaterhouseCoopers – Qatar LLC  
Doha, State of Qatar  
3 March 2013

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## Consolidated statement of financial position

### As at 31 December 2012

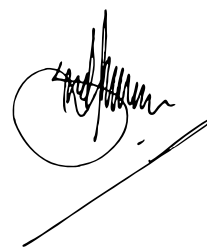
(All Amounts in United States Dollars thousands)

	Notes	2012	2011
<b>Assets</b>			
Cash and cash equivalents	3	131,630	85,995
Investments carried at amortised cost	4	52,702	87,757
Due from financing activities	5	59,457	-
Accounts receivable	6	19,498	50,555
Inventories	7	11,396	35,565
Corporate investments	8	212,577	210,434
Investments in real estate	9	54,142	19,760
Other assets	10	14,906	10,333
Fixed assets	11	35,666	164,608
Intangible assets	12	10,782	1,916
<b>Total assets</b>		<b>602,756</b>	<b>666,923</b>
<b>Liabilities and owners' equity</b>			
<b>Liabilities</b>			
Financing from financial institutions	13	78,078	117,143
Other liabilities	14	46,043	53,697
<b>Total liabilities</b>		<b>124,121</b>	<b>170,840</b>
<b>Owners' equity</b>			
Share capital	15	431,476	431,476
Fair value reserves		2,144	(405)
Retained earnings		31,543	26,301
<b>Total equity attributable to owners of the parent</b>		<b>465,163</b>	<b>457,372</b>
Non-controlling interest		13,472	38,711
<b>Total owners' equity</b>		<b>478,635</b>	<b>496,083</b>
<b>Total liabilities and owners' equity</b>		<b>602,756</b>	<b>666,923</b>

These consolidated financial statements were authorised for issuance by the Board of Directors on 3 March 2013 and signed on their behalf by:



**Abdulla Bin Fahad Bin Ghorab Al-Marri**  
Chairman



**Emad Rashed Mansour**  
Chief Executive Officer



# Consolidated statement of net income

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

	Notes	2012	2011
<b>Income</b>			
Revenue from non-banking activities	16	43,688	33,467
Share of profit of associate		-	3,563
Gain on re-measurement of investments at fair value through statement of net income	8.2	8,904	38,333
Dividend income		15,207	12,617
Profit on investments carried at amortised cost		3,087	2,267
Gain on a bargain purchase of subsidiary	24	8,539	-
Gain on disposal of investments carried at amortised cost		3,750	948
Gain on disposal of corporate investments	8.2	3,339	-
Gain on disposal of investment in associate		-	2,200
Gain on disposal of subsidiary		27,288	-
Income from financing activities	17	1,837	1,243
Other income	18	4,364	2,674
<b>Total income</b>		<b>120,003</b>	<b>97,312</b>
<b>Expenses</b>			
Non-banking activity expenses	16	48,845	34,099
Staff costs		28,940	23,402
Other operating expenses	19	20,627	18,078
Depreciation and amortisation		2,126	2,284
<b>Total expenses</b>		<b>100,538</b>	<b>77,863</b>
Net income before tax		19,465	19,449
Income tax		-	1,037
Net income after tax from continuing operations		19,465	20,486
Net income after tax from discontinued operations	25	10,632	7,008
<b>Net income</b>		<b>30,097</b>	<b>27,494</b>
<b>Attributable to:</b>			
Owners of the parent		31,131	25,791
Non-controlling interest		(1,034)	1,703
		<b>30,097</b>	<b>27,494</b>
Basic/Diluted earnings per share from continuing operations - US cents	20	2.74	2.40
Basic/Diluted earnings per share from discontinued operations - US cents	20	0.87	0.59
Basic/Diluted earnings per share – US cents		3.61	2.99

# Consolidated statement of changes in Owners' equity

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

	<u>Attributable to shareholders of the parent</u>				<b>Non-</b>	
	<b>Share capital</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total</b>	<b>controlling interest</b>	<b>Total</b>
Balance at 1 January 2011	431,476	1,361	22,084	454,921	32,109	487,030
Non-controlling interest's share in issued capital of subsidiary	-	-	-	-	4,899	4,899
Fair value adjustment	-	(1,766)	-	(1,766)	-	(1,766)
Dividends (note 31)	-	-	(21,574)	(21,574)	-	(21,574)
Net income for the year	-	-	25,791	25,791	1,703	27,494
<b>Balance at 31 December 2011</b>	<b>431,476</b>	<b>(405)</b>	<b>26,301</b>	<b>457,372</b>	<b>38,711</b>	<b>496,083</b>
Balance at 1 January 2012	431,476	(405)	26,301	457,372	38,711	496,083
Balance recognised on acquisition of a subsidiary (note 24)	-	-	-	-	4,940	4,940
Balance recognised on establishment of a subsidiary	-	-	-	-	138	138
Fair value adjustment	-	2,549	-	2,549	86	2,635
Dividends (note 31)	-	-	(25,889)	(25,889)	-	(25,889)
Net income for the year	-	-	31,131	31,131	(1,034)	30,097
Balance derecognised on disposal of subsidiary (note 25)	-	-	-	-	(29,369)	(29,369)
<b>Balance at 31 December 2012</b>	<b>431,476</b>	<b>2,144</b>	<b>31,543</b>	<b>465,163</b>	<b>13,472</b>	<b>478,635</b>

# Consolidated statement of cash flows

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

	Notes	2012	2011
<b>Operating activities</b>			
Net income for the year		30,097	27,494
<b>Adjustments for:</b>			
Gain on disposal of investments carried at amortised cost		(3,750)	(948)
Gain on disposal of investment in associate		-	(2,200)
Share of (profit) loss of associate		-	(3,563)
Gain on sale of fixed assets		(62)	(59)
Gain on re-measurement of investments at fair value through statement of net income		(8,904)	(38,333)
Depreciation and amortisation	11,12	12,609	9,788
Amortisation of sukuk premium/ discount (net)		15	(36)
Dividend income		(15,207)	(12,617)
Provisions (net)		2,182	1,336
Gain on disposal of corporate investments		(3,339)	-
Gain on disposal of subsidiary		(27,288)	-
Income from murabaha financing		(1,906)	-
Other income		(272)	-
Gain on a bargain purchase of a subsidiary	24	(8,539)	-
<b>Changes in working capital :</b>		<b>(24,364)</b>	<b>(19,138)</b>
Accounts receivable		(8,604)	(11,750)
Inventories		(5,217)	(5,067)
Other assets		(9,017)	5,913
Other liabilities		15,183	12,331
<b>Net cash used in operating activities</b>		<b>(32,019)</b>	<b>(17,711)</b>
<b>Investing activities</b>			
Acquisition of corporate investments		(63,751)	(32,765)
Establishment of joint venture		(34)	-
Acquisition of a subsidiary	24	(18,853)	-
Murabaha financing		(57,550)	-
Purchase of investments in real estate		(6,339)	-
Purchase of investments at amortised cost		(89,244)	(112,845)
Purchase of fixed and intangible assets		(12,737)	(25,173)
Dividends received		15,207	15,903
Proceeds from disposal of corporate investments		72,735	-
Proceeds from disposal of investments at amortised cost		128,033	36,071
Proceeds from partial disposal of investment in associate		-	17,531
Proceeds from disposal of fixed assets		140	220
Proceeds from disposal of subsidiary	25	93,269	-
<b>Net cash from/(used in) investing activities</b>		<b>60,876</b>	<b>(101,058)</b>
<b>Financing activities</b>			
Net change in financing from financial institutions		41,457	30,766
Dividends paid to shareholders		(24,679)	(21,057)
Non-controlling interest's share in issued capital of subsidiary		-	4,899
<b>Net cash flows from financing activities</b>		<b>16,778</b>	<b>14,608</b>
Net increase/(decrease) in cash and cash equivalents		45,635	(104,161)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>85,995</b>	<b>190,156</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>3</b>	<b>131,630</b>	<b>85,995</b>

The attached explanatory notes 1 to 31 form an integral part of these consolidated financial statements.



# Notes to the consolidated financial statements

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 1. Legal status and principal activities

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

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

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

### 2. Significant accounting policies

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

#### 2.1 Basis of preparation

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

- New standard issued and adopted FAS 26 *Investment in real estate*

FAS 26 was issued by AAOIFI and is effective for financial periods commencing on 1 January 2013, earlier application is permitted. The Group has early adopted the standard for the period started 1 January 2012; FAS 26 deals with the recognition, measurement, presentation and disclosures of investments in real estate.

The standard has been applied retroactively in accordance with the requirements of FAS 1 *General presentation and disclosures in the financial statements of Islamic Banks and Financial Institutions*.

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.2 Subsidiaries

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

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

#### Basis of consolidation

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

The Bank has the following subsidiaries as at 31 December 2012 and 2011:

Subsidiaries	Activity	Effective ownership as at 31 December		Year of incorporation	Country
		2012	2011		
Future Card Industries LLC	Manufacturing	71.30%	-	2012	UAE
Al Wasita Emirates for Catering Services LLC	Catering	85%	-	2008	UAE
Isnad Catering Services WLL	Catering	75%	-	2012	Qatar
Emirates National Factory for Plastic Industries LLC	Manufacturing	-	71.30%	1995	UAE

In the light of the conditional approval by the Shari'a Supervisory Board and the Bank's intention to convert the subsidiary's facility to comply with Islamic Shari'a rules and regulations, the subsidiary has adhered to Shari'a compliant activities, but has one non-shari'a compliant facility.

The non-shari'a compliant facility principally represents amounts borrowed on conventional basis by a subsidiary before acquisition which took place during 2012. As at 31 December 2012 the percentage of conventional debts to total debts was 48.8%, subsequently during February 2013 all conventional debts have been replaced by Sharia compliant facility.

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.2 Subsidiaries (continued)

During 2012, the Group has legally restructured the ownership of its former subsidiary Emirates National Factory for Plastic Industries LLC for the purposes of spinning of the business into technology and packaging divisions. This process resulted in carving out some of the group companies into a new sub group representing the packaging division which was then disposed off on 30 December 2012 resulting in a gain of USD 27 million which has been reported in the consolidated statement of net income.

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

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

### 2.3 Foreign currencies

#### Reporting currency

The consolidated financial statements are presented in United States Dollars, which is the functional and presentation currency of the Bank. Transactions in foreign currencies are translated into United States Dollars at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into United States Dollars at the rates ruling at the consolidated financial position date.

All differences are recognised in the consolidated statement of net income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

#### Group companies

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

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.3 Foreign currencies (continued)

##### Group companies (continued)

- I. Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position,
- II. Income and expenses for each statement of net income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- III. All resulting exchange differences are recognised as a separate component of the consolidated statement of changes in owners' equity.

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

#### 2.4 Financial assets and liabilities

##### (i) Recognition

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

##### (ii) Derecognition

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

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

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

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

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# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.5 Offsetting of financial assets and liabilities

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

#### 2.6 Cash and cash equivalents

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

#### 2.7 Placements with financial institutions

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

#### 2.8 Due from financing activities

Financing activities comprise Murabaha contracts which are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and unearned profit.

Due from financing activities are written off and charged against specific provisions only in circumstances where all reasonable restructuring and collection activities have been exhausted, any recoveries from previously written off financing activities are written back to the specific provision.

#### 2.9 Accounts receivable

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

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.10 Inventories

Raw materials inventories are stated at the lower of cost or net realisable value. Inventory costs include:

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

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

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

#### 2.11 Investments

- Investments carried at amortised cost

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

- Corporate investments comprise of the following:

- a) Investments carried at fair value

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

- Investments carried at fair value through equity

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

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

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## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.11 Investments (continued)

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

- Investments carried at fair value through statement of net income

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

#### b) Venture capital investments

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

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

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.12 Impairment in value

#### **Impairment of financial asset**

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

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

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

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

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

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

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



## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

## 2. Significant accounting policies (continued)

### 2.13 Investment in associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of 20% to 50% of the voting rights while these investments are not carried out through the Group's venture capital portfolio. Investment in associates is accounted for using the equity method of accounting and is initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the consolidated statement of net income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals to 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.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group. Reporting dates of associates are consistent.

### 2.14 Investment in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has the contractually agreed sharing of control over the joint venture, which exists only when decisions about the relevant activities of joint venture require the unanimous consent of the parties sharing control.

The Group's interests in joint ventures are accounted for using the equity method of accounting. The Group's share of its post-acquisition profits or losses is recognised in the consolidated statement of net income and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. Reporting dates of joint venture and the Group are consistent.

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.15 Investments in real estate

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

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

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

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

#### 2.16 Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of net income during the financial year in which they are incurred. The Group depreciates fixed assets except for land, on a straight-line basis over their estimated useful lives as follows:

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

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.17 Intangible assets

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

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

Core Banking System	7 years
Software	5 years
Contractual relationships	5 years
Brand	5 years

#### 2.18 Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Bank's interest in the net fair value of the identifiable assets, liabilities and contingent assets acquired and contingent liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill resulted from a business combination is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill resulting from a business combination, being the excess of the fair value of the net assets acquired over the consideration paid at the date of acquisition is recognised as income in the consolidated statement of net income at the acquisition date.

For the purpose of impairment testing, goodwill is allocated to the cash-generating units within the Group that are expected to benefit from the synergies of the business combination.

When subsidiaries, associates and joint ventures are sold, the difference between the selling price and the net assets plus cumulative currency translation differences and related goodwill is recognised in the consolidated statement of net income.

#### 2.19 Date of recognition of financial transaction

Regular purchases and sales of financial assets are recognised on the settlement date – the date on which the Group receives or deliver an asset.

#### 2.20 Recognition of income

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

##### Income from placements with financial institutions

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

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 2. Significant accounting policies (continued)

#### 2.20 Recognition of income (continued)

##### **Rental income**

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

##### **Revenue from non-banking activities**

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

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

##### **Dividend income**

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

#### 2.21 Employees' end of service benefits

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

#### 2.22 Provisions

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

#### 2.23 Income tax

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

#### 2.24 Zakah

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



## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

### 3. Cash and cash equivalents

	2012	2011
Cash on hand	330	237
Balances with banks (current accounts)	20,891	17,549
	21,221	17,786
Restricted bank balances *	104,803	2,390
Placement with financial institutions	5,606	65,819
	110,409	68,209
	<b>131,630</b>	<b>85,995</b>

Placements with financial institutions represent inter-bank placements in the form of Wakala investments. The average rate of return on Wakala investments is 0.43% per annum (2011: 1.23%).

\* An amount of USD 101 million represents the sale price received for the disposal of a subsidiary which has been subsequently released from the designated escrow account under the Group's name to the Group's current USD account on 3 January 2013.

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

#### 4. Investments carried at amortised cost

	2012	2011
Investments in sukuk	52,887	87,721
Amortisation of premiums and discounts, net	(185)	36
	<b>52,702</b>	<b>87,757</b>

The fair value of the Group's investments in sukuk portfolio amounted to USD 54.9 million (2011: USD 87.5 million). An amount of USD 52.4 million of investments in sukuk is pledged to a counter party under the terms of an Islamic REPO agreement (Note 13).

#### 5. Due from financing activities

	2012	2011
Murabaha finances - principal	57,545	-
Accrued profits	1,912	-
	<b>59,457</b>	<b>-</b>

Murabaha finances, represent Murabaha facilities provided to counter parties in the business of corporate investments. The average rate of return on Murabaha financing is 10.21% per annum.

#### 6. Accounts receivable

a) Accounts receivable comprise of the followings:

	2012	2011
Trade debtors	20,737	52,477
Less: Provision for doubtful debts	(1,239)	(1,922)
	<b>19,498</b>	<b>50,555</b>

b) The movement on the provision for doubtful debts is as follows:

	2012	2011
Beginning balance	1,922	577
Charge during the year	1,072	1,349
Provision written back	(79)	(4)
Balance derecognised on disposal of subsidiary	(1,676)	-
<b>Balance at the end of the year</b>	<b>1,239</b>	<b>1,922</b>

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

#### 7. Inventories

a) Inventories comprise of the followings:

	2012	2011
Raw materials	8,723	24,828
Semi finished goods	891	3,410
Finished goods	1,925	7,579
Goods in transit	-	26
Less: Write down to net realisable value	(143)	(278)
	<b>11,396</b>	<b>35,565</b>

b) The movement on write down to net realisable value inventories is as follows:

	2012	2011
Beginning balance	278	230
Charge during the year	1,363	88
Provision written back	(152)	(40)
Balance derecognised on disposal of subsidiary	(1,346)	-
<b>Balance at the end of the year</b>	<b>143</b>	<b>278</b>

#### 8. Corporate Investments

	2012	2011
Investments at fair value through equity	21,871	9,968
Investments at fair value through statement of net income	190,706	200,466
	<b>212,577</b>	<b>210,434</b>

##### 8.1 Investments at fair value through equity

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

	2012	2011
Unquoted*	7,222	7,222
Quoted**	4,310	2,746
Investment in a fund***	10,339	-
	<b>21,871</b>	<b>9,968</b>

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

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

\*\*\* The investment represents an investment in a fund which is investing in a portfolio of listed securities, the fair value is determined based on the net asset value reported by the fund administrator.

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

#### 8. Corporate Investments (continued)

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

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

Investment Type	2012	2011
Venture capital investments	122,159	137,284
Investments at fair value through statement of net income	68,547	63,182
	<b>190,706</b>	<b>200,466</b>

Gains on re-measurement of investments at fair value through statement of net income:

Investment Type	2012	2011
Venture capital investments	3,536	16,727
Investments at fair value through statement of net income	5,368	21,606
	<b>8,904</b>	<b>38,333</b>

The following summarises the movement in venture capital investments during the year:

	2012	2011
At the beginning of year	137,284	108,324
Additions	54,114	12,233
Disposal*	(72,775)	-
Fair value adjustments	3,536	16,727
<b>At the end of the year</b>	<b>122,159</b>	<b>137,284</b>

- \* The Group sold one of its venture capital investments on 29 March 2012, which resulted in a net capital gain of USD 3,339 thousand, that has been accounted for in the consolidated statement of net income.



## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

#### 9. Investments in real estate

The following summarises the movement in investments in real estate during the year:

	2012	2011
At the beginning of year	19,760	19,760
Balance recognised on acquisition of subsidiary (note 24)	31,971	-
Addition	6,339	-
Transfer from fixed assets	8	-
Fair value adjustments	812	-
Balance derecognised on disposal of subsidiary	(4,748)	-
<b>At the end of the year</b>	<b>54,142</b>	<b>19,760</b>

#### 10. Other assets

Other assets comprise the followings:

	2012	2011
Advances for investments	-	474
Other receivables	6,511	3,457
Margin on bank guarantees	-	436
Prepayments	6,693	3,396
Refundable deposits	792	1,103
Due from related parties (note 23)	782	1,258
Due from employees	239	435
<b>Total</b>	<b>15,017</b>	<b>10,559</b>
Provision for other receivables	(111)	(226)
	<b>14,906</b>	<b>10,333</b>

The movement in the provision for the other receivables is as follows:

	2012	2011
Beginning balance	226	283
Charge during the year	91	57
Amount written off	(113)	(114)
Balance derecognised on disposal of subsidiary	(93)	-
<b>Balance at the end of the year</b>	<b>111</b>	<b>226</b>

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

### 11. Fixed assets

	Plant & machinery	Land & buildings	Machinery & equipment	Furniture & fixture	Building renovation & fixtures	Motor vehicle	Capital work in progress	Total
<b>Cost</b>								
As at December 31, 2010	75,053	65,780	3,844	5,950	5,386	2,496	19,899	178,408
Additions	2,556	-	1,205	2,099	336	323	18,271	24,790
Transfers	13,989	16,755	-	-	-	-	(30,744)	-
Disposals	(11)	-	(2)	-	-	(464)	-	(477)
<b>As at December 31, 2011</b>	<b>91,587</b>	<b>82,535</b>	<b>5,047</b>	<b>8,049</b>	<b>5,722</b>	<b>2,355</b>	<b>7,426</b>	<b>202,721</b>
Balance recognised on acquisition of subsidiary	-	-	2,870	222	5	-	-	3,097
Additions	2,796	90	1,002	534	574	452	6,830	12,278
Transfers	5,944	3,525	345	4	82	67	(9,549)	418
Disposals	(23)	-	(272)	-	(12)	(351)	-	(658)
Balance derecognised on disposal of subsidiary of subsidiary	(82,331)	(66,513)	(2,050)	(987)	(5,779)	(2,084)	(4,645)	(164,389)
<b>As at December 31, 2012</b>	<b>17,973</b>	<b>19,637</b>	<b>6,942</b>	<b>7,822</b>	<b>592</b>	<b>439</b>	<b>62</b>	<b>53,467</b>
<b>Accumulated depreciation</b>								
As at December 31, 2010	20,307	2,464	2,183	1,219	1,981	1,215	-	29,369
Depreciation charge*	4,637	1,118	1,046	949	842	437	-	9,029
Disposals/transfer	-	-	(1)	-	-	(284)	-	(285)
<b>As at December 31, 2011</b>	<b>24,944</b>	<b>3,582</b>	<b>3,228</b>	<b>2,168</b>	<b>2,823</b>	<b>1,368</b>	<b>-</b>	<b>38,113</b>
Balance recognised on acquisition of subsidiary	-	-	1,156	95	4	-	-	1,255
Depreciation charge*	5,953	1,705	1,162	1,194	911	442	-	11,367
Disposals/transfer	(10)	-	(254)	-	(6)	(267)	-	(537)
Balance derecognised on disposal of subsidiary	(22,348)	(4,105)	(821)	(425)	(3,376)	(1,322)	-	(32,397)
<b>As at December 31, 2012</b>	<b>8,539</b>	<b>1,182</b>	<b>4,471</b>	<b>3,032</b>	<b>356</b>	<b>221</b>	<b>-</b>	<b>17,801</b>
<b>Net book value</b>								
<b>As at 31 December 2011</b>	<b>66,643</b>	<b>78,953</b>	<b>1,819</b>	<b>5,881</b>	<b>2,899</b>	<b>987</b>	<b>7,426</b>	<b>164,608</b>
<b>As at 31 December 2012</b>	<b>9,434</b>	<b>18,455</b>	<b>2,471</b>	<b>4,790</b>	<b>236</b>	<b>218</b>	<b>62</b>	<b>35,666</b>

\* Depreciation charges included an amount of USD 9,742 thousands (2011: US \$7,304 thousands) which relates to non-banking activities.

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

#### 12. Intangible assets

	2012	2011
<b>Cost:</b>		
Beginning balance	3,254	2,840
Purchase during the year	501	414
Intangible assets identified in the process of acquisition of a subsidiary (Note 24)	9,607	-
<b>At 31 December</b>	<b>13,362</b>	<b>3,254</b>
<b>Amortisation</b>		
Beginning balance	(1,338)	(779)
Amortisation charge for the year	(1,242)	(559)
<b>At 31 December</b>	<b>(2,580)</b>	<b>(1,338)</b>
<b>Net book value at 31 December</b>	<b>10,782</b>	<b>1,916</b>

Amortisation charges included an amount of USD 741 thousands (2011: nil) which relates to non-banking activities.

#### 13. Financing from financial institutions

	2012	2011
Bank borrowings	12,604	95,914
Bank overdraft	3,251	-
Murabaha financing *	57,222	7,282
Accepted wakala deposits	5,001	13,947
	<b>78,078</b>	<b>117,143</b>

\* Murabaha financing includes an amount of USD 43.8 million borrowed against pledged sukuk (Note 4) . The cost of murabaha finance is equal to 1% (2011: nil).

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

#### 14. Other liabilities

	2012	2011
Accounts payable	15,704	40,744
Staff-related payables	9,865	4,057
Other payables	3,866	3,182
Accrued finance costs	-	1,147
Accrued expenses	13,650	3,936
Due to related parties (note 23)	1,013	13
Unearned revenue	218	101
Dividends payable	1,727	517
	<b>46,043</b>	<b>53,697</b>

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

#### 15. Share capital

	2012	2011
<b>Authorised:</b>		
1,000,000,000 ordinary shares of USD 1 each	1,000,000	1,000,000
<b>Issued and partially paid:</b>		
862,952,155 ordinary shares of USD 1 each (paid USD 0.50 each)	431,476	431,476

In its General Assembly Meeting, held in April 2012, the shareholders of the Bank approved a capital restructuring aimed at denominating the share capital into Qatari Riyals, involving a currency change of the par value from USD 1 to QAR 10 per share and a new authorized capital of QAR 2 billion (USD 549 million).

In addition, the unpaid portion of each share was waived so that the new issued and paid share capital is QAR 1,571 million (USD 431 million).

The shareholders approved the resolutions and empowered the board to give effect to the capital restructuring.

On the date when these consolidated financial statements were authorized for issuance the foregoing capital restructuring had not been implemented due to the Directors desire to coincide these changes with the completion of the listing exercise of the Bank.



## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

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

	2012	2011
Sales	43,070	32,892
Other income	618	575
<b>Revenue from non-banking activities</b>	<b>43,688</b>	<b>33,467</b>
Cost of sales	(31,499)	(22,223)
Other expenses	(17,346)	(11,876)
<b>Non-banking activity expenses</b>	<b>(48,845)</b>	<b>(34,099)</b>
<b>Net loss from non-banking activities</b>	<b>(5,157)</b>	<b>(632)</b>

#### 17. Income from financing activities

	2012	2011
Income from wakala deposits, net	(69)	1,243
Income from murabaha finances	1,906	-
	<b>1,837</b>	<b>1,243</b>

#### 18. Other income

	2012	2011
Rental income	3,545	2,612
Advisory fees	15	30
Other income	804	32
	<b>4,364</b>	<b>2,674</b>

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

### 19. Other operating expenses

	2012	2011
Rent expense	6,198	6,198
Directors' remuneration	2,907	3,000
Professional services	4,923	2,222
Other general and administrative expenses	1,806	2,081
Business trip expenses	2,319	1,899
Public relations and advertising	679	968
IT expenses	826	701
Building maintenance and utilities	525	649
Information service	249	213
Social responsibility (note 26)	195	147
	<b>20,627</b>	<b>18,078</b>

### 20. Basic earnings per share

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

	2012	2011
<b>Basic earnings per share from continuing operations</b>		
Net profit attributable to the owners of the parent	23,636	20,668
Total number of shares	862,952	862,952
<b>Basic earnings per share (US cents)</b>	<b>2.74</b>	<b>2.40</b>
<b>Basic earnings per share from discontinued operations</b>		
Net profit attributable to the owners of the parent	7,495	5,123
Total number of shares	862,952	862,952
<b>Basic earnings per share (US cents)</b>	<b>0.87</b>	<b>0.59</b>

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

### 21. Contingent liabilities

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

	2012	2011
Letters of credit	410	2,528
Letters of guarantee	3,285	1,489

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

#### 22. Commitments

	2012	2011
Commitment for operating lease		
Later than one year	44,125	49,448
No later than one year	6,535	6,181
	50,660	55,629
Investment-related commitments	18,313	-
Commitment for operating & capital expenditure	828	-
	<b>69,801</b>	<b>55,629</b>

#### 23. Related parties transactions and balances

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

##### a) Due from related parties

	2012	2011
<b>Affiliated entities</b>	<b>782</b>	<b>1,258</b>

Due from related parties balance is included under other assets (note 10).

##### b) Due to related parties

	2012	2011
<b>Affiliated entities</b>	<b>1,013</b>	<b>13</b>

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

##### c) Compensation of key management personnel

	2012	2011
Senior management personnel	5,667	4,996
Directors' remuneration	2,145	1,500
Shari'a supervisory board remunerations	143	145
	<b>7,955</b>	<b>6,641</b>

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

#### 24. Business combinations

On 31 July 2012, the Group acquired 85% of the share capital of a company and obtained control through its ability to cast a majority of votes in the general meeting of shareholders.

On the date of acquisition, the fair value of the identifiable assets and liabilities were:

	Carrying value	Fair value recognised on acquisition
Cash and balances with banks	602	602
Investment in real estate	18,983	31,971
Accounts receivable	12,660	12,660
Inventories	911	911
Other assets	6,503	6,503
Fixed assets	1,841	1,841
Intangible asset	-	9,607
Financing from financial institutions	(7,214)	(7,214)
Accounts payables	(8,086)	(8,086)
Other liabilities	(15,861)	(15,861)
<b>Net identifiable assets acquired</b>	<b>10,339</b>	<b>32,934</b>
Net identifiable assets attributable to non controlling interest (15%)		4,940
Net identifiable assets acquired attributable to the Group (85%)		27,994
<b>Total net identifiable assets</b>		<b>32,934</b>
<b>Net identifiable assets acquired attributable to the Group (85%)</b>		<b>27,994</b>
Bargain purchase gain (negative goodwill) arising on acquisition *		8,539
Cost of acquisition		19,455
		<b>27,994</b>
<b>Cash outflow on acquisition:</b>		
Cash paid		19,455
Net cash balance acquired with the subsidiary		(602)
<b>Net cash outflow</b>		<b>18,853</b>

The fair values of assets and liabilities acquired are based on discounted cash flow models. The valuation of identifiable intangible assets was performed internally by the management of the Bank.

\* The above bargain purchase has been accounted in the consolidated statement of net income.



## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

#### 25. Discontinued operations

As disclosed in note 2.2, on 30 December 2012, the Group disposed restructured subsidiary whose summarised results are as follows:

<b>Net income from discontinued operations</b>	<b>2012</b>	<b>2011</b>
Revenues from discontinued operations	181,843	136,425
Expenses of discontinued operations	(171,211)	(129,417)
<b>Net income from discontinued operations</b>	<b>10,632</b>	<b>7,008</b>
<b>Attributable to</b>		
Shareholders of the parent	7,495	5,123
Non-controlling interest	3,137	1,885
	<b>10,632</b>	<b>7,008</b>
<b>Cash flows from discontinued operations</b>		
Net cash flows from operating activities	13,591	11,215
Net cash flows from investing activities	(9,093)	(16,394)
Net cash flows from financing activities	(10,124)	13,764
<b>Total cash flows</b>	<b>(5,626)</b>	<b>8,585</b>

On the date of disposal, the details of the disposed assets and liabilities and disposal consideration are as follows:

	<b>Carrying value</b>
Cash and cash equivalents	8,657
Accounts receivable	51,328
Inventories	29,086
Other assets	7,622
Fixed assets	131,992
Investment in real estate	4,748
Other liabilities	(41,691)
Financing from financial institutions	(87,735)
Net assets of discontinued operations	104,007
Less: non controlling interest	(29,369)
<b>Carrying value of disposed assets</b>	<b>74,638</b>
Total disposal consideration	101,926
Less: cash and cash equivalents in disposed subsidiary	(8,657)
<b>Net cash inflow from disposal</b>	<b>93,269</b>

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 26. Social responsibility

In discharging its social responsibilities, the Group paid an amount of USD 195 thousands (2011: USD 147 thousands) for that purpose.

### 27. Zakah

Zakah is directly borne by the Owners. The Group does not collect or pay Zakah on behalf of its Owners. Zakah payable by the Owners is computed by the Group on the basis of the method prescribed by the Group's SSB and notified to the Owners. Zakah payable by the Owners, for the year ended 31 December 2012 was US cents 0.81 for every share held (2011: US cents 0.95).

### 28. Significant accounting judgments and estimates

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

- **Classification of financial instruments**

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

- **Classification of assets held-for-sale**

The Bank classifies non-current assets or disposal groups (including subsidiaries) as 'held-for-sale' if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use and the sale is expected to be completed within one year from the date of classification. The expected time of completion of sale and management's plan to sell is based on management assumptions in relation to the condition of the asset and its current performance and requires judgment. There is no certainty on the execution and completion of the sale transaction and any changes in the plan to sell may cause the classification of the disposal group to be changed and consequently the basis of measurement, presentation and disclosure in the consolidated financial statements.

- **Impairment of investments**

The Group uses significant judgments and estimates to determine impairment of investments in financial and non-financial assets.

Note 2.12 explains the accounting policies used to recognise and measure the impairment of different kinds of investments.

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

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

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## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

## 29. Financial instruments and related risk management

### Financial instruments definition and classification

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

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

### Fair value of financial instruments

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

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

### Risk management

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

### Risk framework and governance

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

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

The Audit and Risk Committee is tasked with implementing risk management policies, guidelines and limits as well as ensuring that monitoring processes are in place. The Risk Management Department provides independent monitoring to both the Board and the Audit and Risk Committee whilst also working closely with the business units which ultimately own and manage the risks. The Head of the Risk Management Department (the Chief Risk Officer) reports to the Audit and Risk Committee and has access to the Chairman and other Board members.

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

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

##### Investment risk

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

##### Credit risk

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

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

	2012	2011
Balances with banks	125,694	19,939
Placements with financial institutions	5,606	65,819
Due from financing activities	59,457	-
Accounts receivable	19,498	50,555
Other assets	14,906	10,333
Investments carried at amortised cost	52,702	87,757
	<b>277,863</b>	<b>234,403</b>



## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

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

##### Credit risk (continued)

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

	2012	2011
Qatar	26,893	1,923
United Arab Emirates	65,548	151,852
Asia & Middle East	143,083	65,327
North America	10,201	1,324
Europe & Others	32,138	13,977
	<b>277,863</b>	<b>234,403</b>

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

	2012	2011
Financial services	179,563	141,861
Industrial	11,333	39,851
Real estate and construction	30,872	10,593
Technology	2,404	2,823
Oil & gas	34,251	-
Others	19,440	39,275
	<b>277,863</b>	<b>234,403</b>

##### Liquidity risk and funding management

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

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

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

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

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

### Liquidity risk and funding management (continued)

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

At 31 December 2012	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
<b>Assets</b>							
Cash and cash equivalents	125,773	5,857	-	-	-	-	131,630
Investments carried at amortised cost	-	-	-	-	52,702	-	52,702
Accounts receivable	-	12,388	4,864	2,246	-	-	19,498
Corporate investments	-	-	-	80,077	132,500	-	212,577
Investments in real estate	-	-	-	-	-	54,142	54,142
Due from financing activities	-	-	-	-	59,457	-	59,457
Other assets	-	5,043	1,244	3,524	3,375	1,720	14,906
<b>Total financial assets</b>	<b>125,773</b>	<b>23,288</b>	<b>6,108</b>	<b>85,847</b>	<b>248,034</b>	<b>55,862</b>	<b>544,912</b>
<b>Liabilities</b>							
Financing from financial institutions	-	58,042	9,060	2,076	8,900	-	78,078
Other liabilities	1,727	26,485	6,935	7,001	92	3,803	46,043
<b>Total financial liabilities</b>	<b>1,727</b>	<b>84,527</b>	<b>15,995</b>	<b>9,077</b>	<b>8,992</b>	<b>3,803</b>	<b>124,121</b>
<b>Net liquidity gap</b>	<b>124,046</b>	<b>(61,239)</b>	<b>(9,887)</b>	<b>76,770</b>	<b>239,042</b>	<b>52,059</b>	<b>420,791</b>
<b>Net cumulative gap</b>	<b>124,046</b>	<b>62,807</b>	<b>52,920</b>	<b>129,690</b>	<b>368,732</b>		

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

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

### Liquidity risk and funding management (continued)

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

At 31 December 2011	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
<b>Assets</b>							
Cash and cash equivalents	17,537	68,458	-	-	-	-	85,995
Investments carried at amortised cost	-	-	-	-	87,757	-	87,757
Accounts receivable	-	33,008	13,336	2,333	906	972	50,555
Corporate investments	3	72,775	-	70,401	67,255	-	210,434
Investments in real estate	-	-	-	-	-	19,760	19,760
Other assets	7	1,153	582	3,497	496	4,598	10,333
<b>Total financial assets</b>	<b>17,547</b>	<b>175,394</b>	<b>13,918</b>	<b>76,231</b>	<b>156,414</b>	<b>25,330</b>	<b>464,834</b>
<b>Liabilities</b>							
Financing from financial institutions	-	22,410	7,003	12,331	53,350	22,049	117,143
Other liabilities	3,753	36,288	5,833	2,818	218	4,787	53,697
<b>Total financial liabilities</b>	<b>3,753</b>	<b>58,698</b>	<b>12,836</b>	<b>15,149</b>	<b>53,568</b>	<b>26,836</b>	<b>170,840</b>
<b>Net liquidity gap</b>	<b>13,794</b>	<b>116,696</b>	<b>1,082</b>	<b>61,082</b>	<b>102,846</b>	<b>(1,506)</b>	<b>293,994</b>
<b>Net cumulative gap</b>	<b>13,794</b>	<b>130,490</b>	<b>131,572</b>	<b>192,654</b>	<b>295,500</b>	<b>293,994</b>	

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

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

#### Market risk

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

#### Profit rate risk

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

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

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

	2012	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	5,606	100	56
Investments carried at amortised cost	52,702	100	527
Due from financing activities	59,457	100	595
<b>Liabilities</b>			
Financing from financial institutions	78,078	100	(781)
			<b>397</b>
	2011	Change in profit rate (+/-)	Effect on net profit (+/-)
<b>Assets</b>			
Placements with financial institutions	65,819	100	658
Investments carried at amortised cost	87,757	100	878
<b>Liabilities</b>			
Financing from financial institutions	117,143	100	(1,171)
			<b>365</b>

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

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

##### Foreign exchange risk

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

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

	Exposure (USD equivalent)	
	2012	2011
<b>Currency</b>		
QAR	9,770	94,572
AED	93,985	57,929
SAR	2	7,950
BHD	-	32

The table below shows the impact of a 20% movement in the currency rate, for other than those pegged to the United States Dollars, against the United States Dollars, with all other variables held constant on the consolidated statement of net income and the consolidated statement of changes in Owners' equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

	Exposure (USD equivalent)		Effect on net profit (+/-)	
	2012	2011	2012	2011
<b>Currency</b>				
GBP	28,594	(26)	5,719	(5)
EUR	2,029	4,629	406	926
JOD	211	40	42	8
TRY	99,000	56,125	19,800	11,225
INR	-	-	-	-
KWD	10	525	2	105
SYP	-	773	-	155
CHF	-	158	-	32
			<b>25,969</b>	<b>12,446</b>

##### Commodities price risk

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



# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

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

#### **Operational risk**

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

#### **Concentration risk**

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

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

#### **Capital management**

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

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

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

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

## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

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

##### Capital management (continued)

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

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

	2012	2011
<b>Total risk weighted assets</b>	<b>368,138</b>	<b>462,897</b>
<b>Tier 1 Capital</b>	<b>452,237</b>	<b>455,861</b>
Share capital	431,476	431,476
Retained earnings	31,543	26,301
Intangible assets	(10,782)	(1,916)
<b>Tier 2 Capital: Fair value reserve</b>	<b>2,144</b>	<b>(405)</b>
<b>Total capital resources</b>	<b>454,381</b>	<b>455,456</b>
<b>Total capital resources expressed as a percentage of total risk weighted assets</b>	<b>123.43%</b>	<b>98%</b>

#### 30. Segment information

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

##### Private equity

Private equity business is primarily responsible to acquire large or significant stakes, with board representation, in well managed companies that have strong, established market positions and the potential to develop and expand. The private equity team works as partners with the management of investee companies to unlock value through enhancing operational and financial performance in order to maximize returns. This segment seeks investments opportunities in growth sectors within the GCC and MENA region, as well as Turkey, but remains opportunistic to attractive investment propositions outside of the geographies identified.

The venture capital investments are managed by the business teams.

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

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(All Amounts in United States Dollars thousands)

### 30. Segment information (continued)

#### **Strategic investment**

The Group's strategic investments business is primarily responsible for acquiring energy, oil and gas, real estate and financial service businesses, opening new offices and securing the appropriate banking licenses in order to expand the global footprint.

#### **Treasury**

The Group's treasury business provides funding and liquidity. Treasury is currently focused on meeting the Group's internal cash management needs and enhancing returns on cash.

#### **Corporate finance**

The Group's corporate finance business provides advisory services to clients on transactions, corporate restructurings, recapitalization and divestments.

#### **Other**

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

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## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

### 30. Segment information (continued)

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

At 31 December 2012	Private equity	Strategic investments	Corporate Finance	Treasury	Other	Total
<b>Income</b>						
Revenue from non-banking activities	225,531	-	-	-	-	225,531
Gain on re-measurement of investments at fair value through statement of net income	8,904	-	-	-	-	8,904
Dividends income	14,758	449	-	-	-	15,207
Profit on investments carried at amortised cost	-	-	-	3,087	-	3,087
Bargain purchase gain on acquisition of subsidiary	8,539	-	-	-	-	8,539
Gain on disposal of investments carried at amortised cost	-	-	-	3,750	-	3,750
Gain on disposal of corporate investments	-	3,339	-	-	-	3,339
Gain on disposal of subsidiary	27,288	-	-	-	-	27,288
Income from financing activities	-	1,906	-	(69)	-	1,837
Other income	229	542	15	-	3,578	4,364
<b>Total income</b>	<b>285,249</b>	<b>6,236</b>	<b>15</b>	<b>6,768</b>	<b>3,578</b>	<b>301,846</b>
<b>Expenses</b>						
Non-banking activity expenses	220,056	-	-	-	-	220,056
Staff costs	5,460	4,323	2,066	1,316	15,775	28,940
Other operating expenses	-	-	-	-	20,627	20,627
Depreciation and amortization expenses	-	-	-	-	2,126	2,126
<b>Total expenses</b>	<b>225,516</b>	<b>4,323</b>	<b>2,066</b>	<b>1,316</b>	<b>38,528</b>	<b>271,749</b>
Net income (loss) before tax	59,733	1,913	(2,051)	5,452	(34,950)	30,097
Income Tax	-	-	-	-	-	-
<b>Net income(loss) for the year</b>	<b>59,733</b>	<b>1,913</b>	<b>(2,051)</b>	<b>5,452</b>	<b>(34,950)</b>	<b>30,097</b>

Total income and expenses for the year include the results of discontinued operations (Note 25).

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

### 30. Segment information (continued)

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

At 31 December 2011	Private equity	Strategic investments	Corporate Finance	Treasury	Other	Total
<b>Income</b>						
Revenue from non-banking activities	169,892	-	-	-	-	169,892
Share of profit of associate	3,563	-	-	-	-	3,563
Gain on re-measurement of investments at fair value through statement of net income	24,918	13,415	-	-	-	38,333
Dividends income	-	12,617	-	-	-	12,617
Profit on investments carried at amortised cost	-	-	-	2,267	-	2,267
Gain on disposal of investments carried at amortised cost	-	-	-	948	-	948
Gain on disposal of investments in associate	2,200	-	-	-	-	2,200
Income financing activities	-	-	-	1,243	-	1,243
Other income	-	-	30	-	2,644	2,674
<b>Total income</b>	<b>200,573</b>	<b>26,032</b>	<b>30</b>	<b>4,458</b>	<b>2,644</b>	<b>233,737</b>
<b>Expenses</b>						
Non-banking activity expenses	163,516	-	-	-	-	163,516
Staff costs	4,275	3,148	1,303	837	13,839	23,402
Other operating expenses	-	-	-	-	18,078	18,078
Depreciation and amortisation expenses	-	-	-	-	2,284	2,284
<b>Total expenses</b>	<b>167,791</b>	<b>3,148</b>	<b>1,303</b>	<b>837</b>	<b>34,201</b>	<b>207,280</b>
Net income (loss) before tax	32,782	22,884	(1,273)	3,621	(31,557)	26,457
Income Tax	-	-	-	-	1,037	1,037
<b>Net income (loss) for the year</b>	<b>32,782</b>	<b>22,884</b>	<b>(1,273)</b>	<b>3,621</b>	<b>(30,520)</b>	<b>27,494</b>

Total income and expenses for the year include the results of discontinued operations (Note 25).



## Notes to the consolidated financial statements (continued)

### For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

### 30. Segment information (continued)

#### Geographical segment information

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

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

31 December 2012	Qatar	Asia/ Middle East	Total
<b>Income</b>			
Revenue from non-banking activities	-	225,531	225,531
Gain on re-measurement of investments at fair value through statement of net income	-	8,904	8,904
Dividends income	-	15,207	15,207
Profit on investments carried at amortised cost	73	3,014	3,087
Bargain purchase gain on acquisition of subsidiary	-	8,539	8,539
Gain on disposal of investment carried at amortised cost	-	3,750	3,750
Gain on disposal of corporate investments	3,339	-	3,339
Gain on disposal of subsidiary	-	27,288	27,288
Income from financing activities	8	1,829	1,837
Other income	3,836	528	4,364
<b>Total income</b>	<b>7,256</b>	<b>294,590</b>	<b>301,846</b>
<b>Expenses</b>			
Non-banking activity expenses	330	219,726	220,056
Staff costs	28,940	-	28,940
Other operating expenses	20,627	-	20,627
Depreciation and amortisation expenses	2,126	-	2,126
<b>Total expenses</b>	<b>52,023</b>	<b>219,726</b>	<b>271,749</b>
Income (loss) before tax	(44,767)	74,864	30,097
Income Tax	-	-	-
<b>Net income (loss) for the year</b>	<b>(44,767)</b>	<b>74,864</b>	<b>30,097</b>

Total income and expenses for the year include the results of discontinued operations (Note 25).

# Notes to the consolidated financial statements (continued)

## For the year ended 31 December 2012

(All Amounts in United States Dollars thousands)

### 30. Segment information (continued)

#### Geographical segment information

31 December 2011	Qatar	Asia/ Middle East	Total
<b>Income</b>			
Revenue from non-banking activities	-	169,892	169,892
Share of profit of associate	-	3,563	3,563
Gain on re-measurement of investments at fair value through statement of net income	11,526	26,807	38,333
Dividends income	12,098	519	12,617
Profit on investments carried at amortised cost	-	2,267	2,267
Gain on disposal of investment carried at amortised cost	-	948	948
Gain on disposal of investment in associate	-	2,200	2,200
Income from financing activities	103	1,140	1,243
Other income	2,644	30	2,674
<b>Total income</b>	<b>26,371</b>	<b>207,366</b>	<b>233,737</b>
<b>Expenses</b>			
Non-banking activity expenses	-	163,516	163,516
Staff costs	23,402	-	23,402
Other operating expenses	18,078	-	18,078
Depreciation and amortisation expenses	2,284	-	2,284
<b>Total expenses</b>	<b>43,764</b>	<b>163,516</b>	<b>207,280</b>
Income before tax	(17,393)	43,850	26,457
Income Tax	1,037	-	1,037
<b>Net income for the year</b>	<b>(16,356)</b>	<b>43,850</b>	<b>27,494</b>

Total income and expenses for the year include the results of discontinued operations (Note 25).

### 31. Dividends

In its Board of Directors meeting held on 7 March 2012, the Bank's Board of Directors proposed a cash dividends of USD 25.89 million, which represents 6% (2011: 5%) of the paid up capital as of that date. In its General Assembly Meeting held on 3 April 2012, the shareholders of the Bank approved the aforementioned dividend amount.