ANNUAL REPORT 2013

Diversified Growth

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Board Members

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

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

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

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

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

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

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

Mr. Khalid Abdullah Khouri
Board Member - United Arab Emirates

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

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

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

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

Shari'ah Supervisory Board Members

Prof. Dr. Ali Al Quradaghi
Chairman

Shaikh Dr. Shafi Al-Hajri
Member

Shaikh Dr. Yahia Al-Nuami
Member

Executive Management

Ahmad Meshari
Acting Chief Executive Officer

Sulaiman Yousif Al-Salhi
Chief Business Officer

Ihab Al Asali
Head of Private Equity

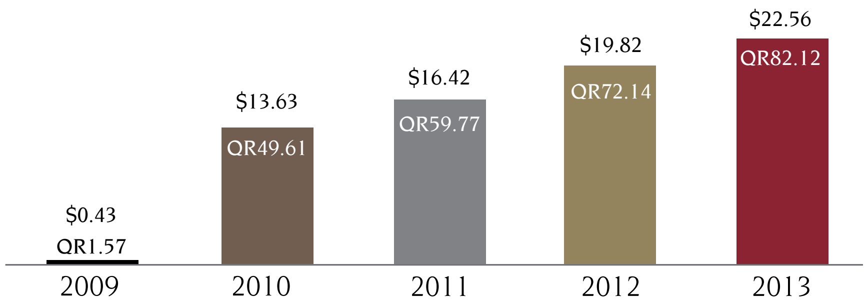
Tareq Shabib
Head of Strategic Investments

Hani Katra
Chief Financial Officer

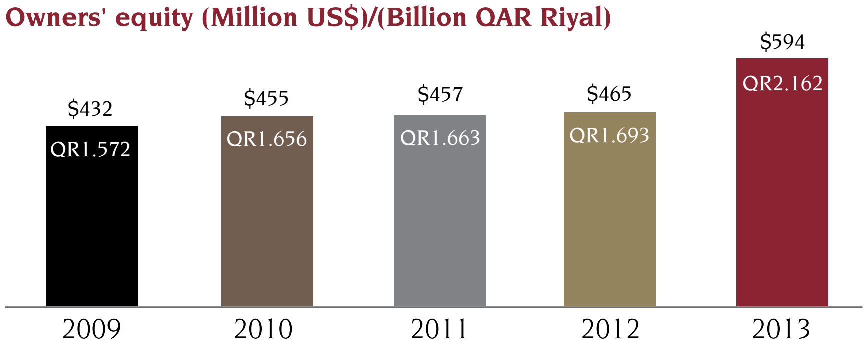
Slim Bouker
Chief Operating Officer

Financial Highlights

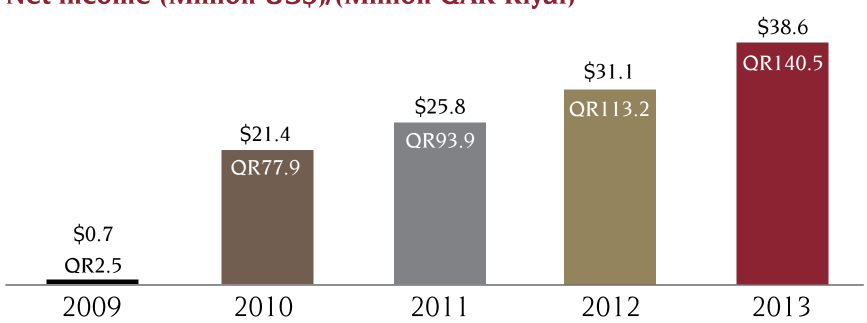
Earnings per share (US cents)/(QAR dirham)



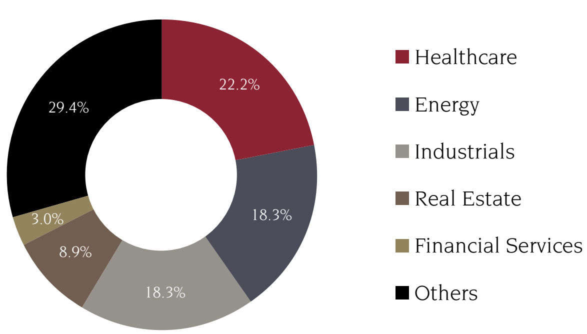
Owners' equity (Million US$)/(Billion QAR Riyal)



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



Investments by Sector



Total Invested Capital
$ 392 million
*QR 1.427 billion

Total Income
$ 176.1 million
*QR 641.1 million

Net Income
$ 38.6 million
*QR 140.5 million

*Equivalent in Qatari Riyal

Chairman's Annual Review

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

Qatar First Bank continued to build on its successes during 2013, while growing in stature to play a defining role on the financial agenda, in addition to contributing to the growth of Islamic finance in the region. It was a year in which we also cemented our position as an industry thought leader, and a leading Shari'ah compliant financial institute. This success is attributed to our unique business model, our prudent investment strategy and team of seasoned professionals.

The Global Economic Climate

In 2013, just as the rising markets embarked on a new wave of development, the economic jitters in the advanced markets continued to face the realm of uncertainty. This was reflected in the IMF World Economic Outlook and OECD global growth forecast for 2013 at 2.9% and 2.7% respectively.

In spite of financial policy makers' efforts, growth in the United States remained sluggish whilst Europe continued to struggle with rising unemployment issues and elsewhere expansion prompted short-lived enthusiasm before slowing again. The financial landscape in China and many emerging market economies in Asia levelled off after an initial surge in output beyond their potential too.

Much of the shifting dynamics can be attributed to the underlying structural fault lines as multitude forces are now driving change in the financial sector. Let's remember that financial markets can only partially mask the problems whilst for an ultimate solution, collective political will and discipline are required.

GCC and MENA Region

Political instability in the Middle East and North Africa region continued to hamper growth and weaken confidence. On the other hand, oil exporting countries, specifically the GCC, continued to experience strong growth on the back of increasing oil prices and large infrastructure spending.

The GCC economics are characterised by a young population and increased government spending to develop an ultramodern infrastructure with an ever-more focus on sectors like health, education, tourism, and transport.

The challenge to the GCC overseeing an intensified campaign on diversification is to seize the right opportunities within this newfound momentum of growth – growth that is not just sustainable but one that eventually leads to sustainable economies. At home, Qatar has been experiencing great economic ascendancy whereas real GDP growth and per capita income are now considered one of the highest in the world. This unparalleled growth stems from carefully-planned diversification of economic resources, development of a diverse energy portfolio and support of financial sector. Qatar is now, truly, the region's axis of opportunity and QFB is the gateway to its immense potential that is attracting the world.

> QFB is now well positioned to capitalise on any lucrative investment opportunities the region has to offer.

The Way Forward

Despite the uncertainty in the global economy, it is an exciting time to do business in the region. Dubai's successful bid for Expo 2020 coupled with Qatar hosting the FIFA 2022 World Cup will no doubt spur growth in the GCC economies and boost their GDPs collectively. These global events will help in promoting the GCC region as the destination for investment. Further, the events will drive short-term growth and ultimately contribute to the long-term economic diversification of the region.

QFB is now well positioned to capitalise on any lucrative investment opportunities the region has to offer. We look to 2014 with great optimism as we continue striving to offer premium financial services to our clients and maximise our shareholders value.

Of course none of this would be possible without the unrelenting support of HH the Emir Sheikh Tamim Bin Hamad Al Thani for spearheading the evolution of the financial sector in Qatar, our shareholders, Shari'ah board, executive management, and most importantly, our staff. Your dedication and hard work has enabled the Bank to deliver substantial profits, and it is your continued enthusiasm that will enable the Bank to reach new heights.

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

Abdullah bin Fahad bin Ghorab Al Marri
Chairman

Executive Management Review

“Our fifth year of operation ended on a high note due to positive performance from all our business lines.”

It is my pleasure to present to you the Management’s Operational review of 2013.

2013 was another challenging year for QFB. It was a year that presented both peril and promise to the banking sector in general and investment banking in particular. We are pleased to note that QFB navigated the challenges succinctly and seized the right opportunities at the right time.

Over the past 12 months we continued to surge ahead with key developments necessary to attain our goal of becoming a leading financial institution in our target markets. Our fifth year of operation ended on a high note due to positive performance from all our business lines. We closed 2013 recording a gross income of US$ 176.1mn (equivalent to QR 641.1mn), an increase of 47 percent on 2012. Our net income of US$ 38.6mn (QR 140.5 mn) showed an increase of 24 percent on the 2012 figure. We invested US$ 67mn (QR 244 mn) of capital, bringing to US$ 392 mn (QR 1.427 billion) our total capital invested to date.

Following our name change to QFB in March 2013, we focused our efforts on developing our commercial banking activities building on our successful model in investment banking.

We paid more attention to developing a strong IT infrastructure that enables us to accommodate full-fledged commercial banking activities placing the clients’ data security as a top priority whilst simultaneously fulfilling regulatory requirements. We hired a team of professionals to develop a range of Shari’ah compliant banking solutions to cater to the needs of our client base of HNWI and corporates. Furthermore, we succeeded in launching the first Metal World Elite MasterCard Charge card. This premium card presents high value benefits and rewards in the areas of travel, lifestyle, concierge and insurance.

Our investment line of business continued to perform well in line with our expectations, as our portfolio companies posted positive results.

Principal Investments

New Investments

Healthcare Mena Limited

Healthcare is a key sector within our Principal Investments as it is experiencing rapid growth in the MENA region driven by population growth and increased economic development. In the UAE, this sector is witnessing unprecedented growth due to the recent introduction of mandatory health insurance and winning the bid to host Expo 2020. During 2013, QFB concluded a USD 20mn investment in UAE based Healthcare Mena Limited (HML), a growing healthcare network platform in the MENA comprising medical centres, niche surgical facilities, diagnostic facilities, tertiary care centres and related assets. HML’s strategy focuses on low to mid income bracket customers and the company is led by a strong management team with over 30 years of experience in the medical field. HML has ambitious plans to grow its medical assets portfolio and expand further in the MENA market.

Investment Portfolio Updates

Westbourne House & Leinster Square

After QFB’s successful acquisition of Westbourne House & 7-12 Leinster Square in the heart of London in 2012, the QFB team worked closely with Alchemi Group –the property development manager - to submit planning applications to Westminster City Council. In April 2013 Westbourne House was granted planning permission followed by the Leinster Square property in May 2013. Construction work to convert both properties to luxury residential apartments is underway and is expected to be completed by summer 2015. Our team and the property advisors are already working on the marketing documents for the two buildings and we aim to begin pre-sale campaigns in the Middle East in Q2 2014.

Kuwait Energy

Following our acquisition of an equity stake in Kuwait Energy Company in the preceding years, we continued to create value for our shareholders through this investment. In 2013, QFB extended to KEC a bridge facility for the acquisition of producing assets in Yemen. This facility has been repaid in full and the Yemeni assets have made a significant contribution to KEC’s daily oil production levels.

Wasita Qatar

Over in Qatar, 2013 held a positive start for Wasita Qatar where it signed several contracts with local companies to provide catering and support services. Wasita Qatar continues its efforts to benefit from the increasing demand for catering and support services in the country.

Al Rifai

Al Rifai International Holding signed an agreement to sell its Al Rifai Nutisal AB (Nutisal) operations in Sweden to Cloetta; a leading confectionary company in the Nordic region, the Netherlands and Italy.

The sale transaction will reflect positively on the company results and will further boost its growth.

Al Noor

In June 2013, Al Noor Medical Company (ANMC) sold 33.9% stake through a highly successful IPO on London Stock Exchange. Astro SPV sold 22.7% stake through the IPO process bringing down its shareholding from 50% to 27.3% while cashing in US$ 152 million.

QFB, who holds 17.5% stake in Astro, gained cash payment of US$ 26.6m, increasing the total cash received over a three-year period to more than 160% of the initial investment in Al Noor. QFB currently maintains a 4.78% stake in the company.

Corporate Finance

In the area of Corporate Finance, we continued to offer our range of services to prospective clients in Qatar and across the GCC and we succeeded in securing two mandates with leading institutions in the Middle East.

In terms of deal execution, the team offered exemplary advisory services to a leading retail group in Qatar in relation to its expansion plan through acquisitions in the region. On the Equity Capital Markets side, the Bank was mandated to act as a co-placement agent to raise equity capital through a private placement to partially finance a mega real-estate project in Saudi Arabia. In another development, the team is engaged in on-going assistance to a client over a stake involving a prominent Saudi petrochemical company.

Treasury

Our treasury operations witnessed high volatility in the capital markets during 2013. With the onset of quantitative easing tapering talk by the US Federal Reserve and the current volatile profit rate environment, the Treasury Department generated positive returns in both the Money and Capital markets. The team continued to build its Sukuk portfolio and applied dynamic hedging strategies.

Further, the Treasury Department continued development and use of different funding tools and strategies such as Islamic REPO, enabling the Bank to potentially increase its offerings.

The team continued to build on strengthening of its interbank relationships and capabilities to deliver further balance-sheet growth.

Human Resources

At QFB, we recognise that it is the people who empower us to realise our ambitious vision, which is why we are dedicated to giving our staff – our family – a first class work experience.

In 2013, our Human capital increased by 7% over 2012. We continued with our focus to develop our human capital and implementing our Qatarisation policy, which is aimed at attracting national talents to join our team. HR also continued to offer the “Executive Program”, as part of which several program graduates joined the Bank as permanent employees.

Corporate Social Responsibility

Beyond generating revenues, we have to anchor the communities we are part of by playing an important role in their development. This inclusive vision of community empowerment helmed a series of activities during 2013, including the Annual Ramadan Blessings Campaign, featuring a visit to the children of the Qatar Autism and Special Needs Centre, an Iftar for the Qatar Foundation for Elderly Care, and a Garangaouh celebration for the children of Qatar Orphan Foundation (Dhreima).

The Bank drove a donation campaign. In-kind donations made by staff were given to Qatar Charity for distribution to families who are in need. The Bank also continued to support Injaz initiatives in local schools.

2014 Outlook

After years of hard work, QFB is positioned now to harness all of our efforts and enter a new era of growth. We are committed, more than ever, to our shareholders with the promise of sound returns and are continuing our work to develop new areas of growth, such as Commercial Banking. We are also expected to seamlessly proceed along working with regulators to list QFB on the Qatar Exchange.

With the end of the year bringing a time of reflection, we find ourselves taking note of our achievements in the preceding 12 months. But more than resting on laurels we look forward to the next 12 months with a renewed passion to building one of the finest Shari’ah compliant financial institutions in the MENA region.

Ahmad Meshari
Acting Chief Executive Officer

Corporate Governance

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

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

The Board of Directors (Board) is elected by the shareholders to oversee management and to ensure that the interests of the shareholders are being served. At the shareholders meeting in 2012, the entire Board was re-elected for a three year term.

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

The members of the Board focus on the areas that are important to shareholders, 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 2013, the Board had a more active role in the direction of the Bank as it embarked on enhancing and adding to its business lines. In December, the Board held a meeting to reflect on the achievements of the Bank in the past 5 years and more importantly to set out a road map for the next few years. One of the notable outcomes of the session was the agreement to launch a new business line of commercial and corporate banking and to authorize the set up of the necessary policies and procedures for undertaking such a business.

Risk Management

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 into liquidity policies and procedures that are subject to review and approval by ALCO which also monitors the Bank's liquidity position on a regular basis.

Credit Risk
QFB has small exposure to credit risk which arises primarily from the short-term placements with financial institutions and form the Sukuk portfolio. The Bank, however, will increase over time its commercial banking credit exposure.

The Bank has established various mechanisms and tools to manage and monitor credit risk, including: setting exposure limits for counterparties which are continuously monitored by Risk Management, and reviewed by the Board annually; engaging with highly rated counterparties 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'ah compliant cross currency swaps and FX forwards (Wa'ad based contracts).

Open FX positions are monitored by the Risk Management Department on 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 makes use, when necessary, of Shari'ah 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'ah 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.

Shari'ah Supervisory Board Report

For the financial year ended 31 December 2013

To the Shareholders of Qatar First Bank LLC,

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

In compliance with the letter of appointment, the Shari'ah Supervisory Board (refer to hereafter as "SSB") of Qatar First Bank LLC, (refer to hereafter "the Bank"), have performed its duties properly as follows:

1. The SSB, in coordination with the management, have developed Shari'ah standards and guidelines for the activities and contracts of the Bank and ensured their implementation through internal Shari'ah audit.
2. The SSB have endorsed and approved the financial statement and the balance sheet and ensured Shari'ah compliance of the allocation of profits and losses on the investments.
3. The SSB have endorsed duties performed by its Executive Member which consists of drafting and reviewing contracts and agreements presented to the Executive Member who had made the necessary amendments to comply with Shari'ah principles and rules. The Executive Member's responses to the questions and inquiries raised by the Bank were also approved by the SSB.
4. The Executive Member has, through series of meetings and when required, pronounced principles and guidelines related to all aspects of banking activities and has also identified and provided innovative Shari'ah compliant solutions for many challenging issues and situations faced by the Bank during the course of its operations which were later approved by the SSB.
5. The SSB, through internal Shari'ah audit, have provided an adequate supervision over the activities of the Bank to ensure compliance with the resolutions of the SSB and proper implementation of the transactions;
6. The SSB have calculated the Zakat in accordance with the approved Shari'ah guidelines and in the light of the balance sheet of 2013 as presented.
7. The SSB have supervised principles applied by the Bank as well as the transaction documents and deals entered into by the Bank during this period whereby 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/ resolutions issued by the SSB.

In order to ensure proper implementation, the SSB have, through the Sharia Compliance Department, conducted review and examination on the procedures adopted by the Bank so as to obtain all the information and explanations that the SSB considered necessary in 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.

As a general principle and practice, the implementation and adaptation of these Shari'ah principles and rules are mainly the responsibility of the management. As far as the SSB's responsibility is concerned, it is limited only to expressing Sharia opinion (Fatwa), approving the contracts, reviewing, and Shari'ah auditing, in addition to providing Shari'ah guidelines.

Shari'ah Supervisory Board's Opinion:

a) The contracts entered into by the Bank and their implementations as presented to the SSB do not contradict with Shari'ah rules and principles.

b) The investments of the Bank have been executed through Shari'ah compliant contracts, instruments and products approved by the SSB and do not contradict with the principles of Shari'ah and were in accordance with Shari'ah Standards of AAOIFI.

c) After reviewing the consolidated financial statement and income statement for financial year 2013, the SSB did not notice any violation of Shari'ah 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 and a special account has been opened to credit such earnings so that they do not get mixed with shareholders' funds.

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 and valued cooperation with the Executive Member of Shari'ah Supervisory Board, praying for Allah, the Almighty, to bless them with continuous growth and successes based on Shari'ah principles and fearing Allah in a way that contributes to the development of our country. May Allah protect our country and guide its ruler to what is good.

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

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

Independent auditors' report

To the Shareholders of Qatar First Bank L.L.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Qatar First Bank L.L.C (the "Bank") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the related consolidated net income and consolidated statements of changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions and to operate in accordance with Islamic Shari'ah. 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 2013 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'ah Rules and Principles as determined by the Shari'ah 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
Signed by
Mohamed Elmoataz
Auditor's registration number 281

17 February 2014

Consolidated statement of financial position

As At 31 December 2013

(All amounts are expressed in United States Dollars thousands)

	Notes	2013	2012
Assets			
Cash and cash equivalents	3	225,057	131,630
Investments carried at amortised cost	4	74,828	52,702
Due from financing activities	5	83,007	59,457
Accounts receivable	6	33,120	19,498
Inventories	7	10,481	11,396
Corporate investments	8	278,289	212,577
Investments in real estate	9	61,535	54,142
Other assets	10	25,506	14,906
Fixed assets	11	36,646	35,666
Intangible assets	12	9,306	10,782
Total assets		837,775	602,756
Liabilities and owners' equity			
Liabilities			
Financing from financial institutions	13	91,477	78,078
Customers' account balances		84,082	-
Other liabilities	14	54,241	46,043
Total liabilities		229,800	124,121
Owners' equity			
Share capital	15	549,451	431,476
Fair value reserve		4,635	2,144
Retained earnings		39,987	31,543
Total equity attributable to owners of the parent		594,073	465,163
Non-controlling interest		13,902	13,472
Total owners' equity		607,975	478,635
Total liabilities and owners' equity		837,775	602,756

These consolidated financial statements were authorised for issuance by the Board of Directors on 12 February 2014 and signed on their behalf by:

Abdulla bin Fahad bin Ghorab Al Marri
Chairman

Ahmad Meshari Muhaidi
Acting Chief Executive Officer

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

Consolidated income statement

For the year ended 31 December 2013

(All amounts are expressed in United States Dollars thousands)

	Notes	2013	2012
Income			
Revenue from non-banking activities	16	86,969	43,688
Gain on re-measurement of investments at fair value through income statement	8.3	66,568	8,904
Dividend income		288	15,207
Profit on investments carried at amortised cost		2,456	3,087
Gain on bargain purchase of a subsidiary	23	–	8,539
Gain on disposal of investments carried at amortised cost		1,132	3,750
Gain on disposal of corporate investments	8.3	7,942	3,339
Gain on disposal of a subsidiary	24	–	27,288
Income from financing activities		6,886	1,837
Other income	17	3,900	4,364
Total income		176,141	120,003
Expenses			
Non-banking activity expenses	16	84,826	48,845
Staff costs		30,791	28,940
Other operating expenses	18	19,183	20,627
Depreciation and amortisation		2,263	2,126
Total expenses		137,063	100,538
Net income before tax		39,078	19,465
Income tax		–	–
Net income after tax from continuing operations		39,078	19,465
Net income after tax from discontinued operations	24	–	10,632
Net income		39,078	30,097
Attributable to:			
Owners of the parent		38,648	31,131
Non-controlling interest		430	(1,034)
		39,078	30,097
Basic/Diluted earnings per share from continuing operations – US cents	19	22.56	15.05
Basic/Diluted earnings per share from discontinued operations – US cents	19	–	4.77
Basic/Diluted earnings per share – US cents		22.56	19.82

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

Consolidated statement of changes in owners’ equity

For the year ended 31 December 2013

(All amounts are expressed in United States Dollars thousands)

	Attributable to owners of the parent					
	Share capital	Fair value reserve	Retained earnings	Total	Non-controlling interest	Total
Balance at 1 January 2012	431,476	(405)	26,301	457,372	38,711	496,083
Balance recognised on acquisition of a subsidiary (note 23)	–	–	–	–	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 29)	–	–	(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 24)	–	–	–	–	(29,369)	(29,369)
Balance at 31 December 2012	431,476	2,144	31,543	465,163	13,472	478,635
Balance at 1 January 2013	431,476	2,144	31,543	465,163	13,472	478,635
Fair value adjustment	–	2,491	–	2,491	–	2,491
Issuance of capital (note 15)	117,975	–	–	117,975	–	117,975
Dividends (note 29)	–	–	(30,204)	(30,204)	–	(30,204)
Net income for the year	–	–	38,648	38,648	430	39,078
Balance at 31 December 2013	549,451	4,635	39,987	594,073	13,902	607,975

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

Consolidated statement of cash flows

For the year ended 31 December 2013

(All amounts are expressed in United States Dollars thousands)

	Notes	2013	2012
Operating activities			
Net income for the year		39,078	30,097
Adjustments for non-cash items in net income			
Depreciation and amortization		6,417	12,608
Gain on sale of fixed assets		–	(62)
Unrealised gains on corporate investments	8.3	(66,568)	(8,904)
Gain on disposal of subsidiary		–	(27,288)
Gain on bargain purchase of a subsidiary		–	(8,539)
Provisions (net)		(250)	2,182
		(21,323)	94
Changes in:			
Investments carried at amortised cost		(22,126)	35,055
Due from financing activities		(23,550)	(59,457)
Accounts receivable		(13,212)	(8,604)
Inventories		643	(5,218)
Corporate investments		898	5,422
Investments in real estate		(4,942)	(6,419)
Other assets		(10,490)	(9,017)
Customers' account balances		84,082	–
Other liabilities		4,318	15,182
Net cash used in operating activities		(5,702)	(32,962)
Investing activities			
Purchase of fixed and intangible assets		(5,921)	(12,737)
Proceeds from disposal of fixed assets		1	140
Acquisition of subsidiary	23	–	(18,853)
Disposal of subsidiary	24	–	93,269
Net cash (used in) / from investing activities		(5,920)	61,819
Financing activities			
Proceeds from issuance of share capital	15	129,772	–
Share issuing expenses	15	(9,874)	–
Net change in financing from financial institutions		13,399	41,457
Dividends paid to shareholders		(28,248)	(24,679)
Net cash from financing activities		105,049	16,778
Net increase in cash and cash equivalent		93,427	45,635
Cash and cash equivalents at the beginning of the year		131,630	85,995
Cash and cash equivalents at the end of the year		225,057	131,630

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

Notes to the consolidated financial statements

For the year ended 31 December 2013

1. Legal status and principal activities

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

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

All the Bank's activities are regulated by the QFCRA and are conducted in accordance with the Islamic Shari'ah principles, as determined by the Shari'ah 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.

On 26 September 2012, the Board of Directors decided to change the Bank's name from Qatar First Investment Bank to Qatar First Bank to better reflect the strategic evolution of its business model. The Bank's name was changed during March 2013.

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 corporate investments and investments in real estate at fair value. The consolidated financial statements of the Bank and its subsidiaries ("the Group") have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI") and Shari'ah Rules and Principles as determined by the Shari'ah Supervisory Board of the Bank, 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*.

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 existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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 2013 and 2012:

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

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

Purchases and sales of non-controlling interests

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

2.3 Foreign currencies

Functional and presentation currency

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

2. Significant accounting policies (continued)

2.3 Foreign currencies (continued)

Transactions and balances

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

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

Group companies

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

I. Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position,

II. Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

III. All resulting exchange differences are recognised as a separate component of the consolidated statement of changes in owners' equity.

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

2.4 Financial assets and liabilities

(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.

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.

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.

2.7 Investments carried at amortised cost

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

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

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

2.10 Inventories

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

(a) costs of purchases (including transport, and handling) net of trade discounts received, and

(b) other costs incurred in bringing the inventories to their present location and condition.

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

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

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

2. Significant accounting policies (continued)

2.11 Corporate investments

Corporate investments comprise of the following:

(a) Investments carried at fair value

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

- Investments carried at fair value through equity

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

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

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

- Investments carried at fair value through income statement

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

(b) Venture capital investments

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

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

2. Significant accounting policies (continued)

2.12 Impairment

Impairment of financial assets

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

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

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

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

Impairment of non-financial assets

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

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

2.13 Investments in real estate

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

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

2. Significant accounting policies (continued)

2.13 Investments in real estate (continued)

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

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 income statement in the year of retirement or disposal.

2.14 Fixed assets

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

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

2.15 Intangible assets

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

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

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

2.16 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.

2. Significant accounting policies (continued)

2.16 Goodwill (continued)

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 income statement 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 income statement.

2.17 Recognition of income

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

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

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

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

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

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

Income from corporate investments
Income from corporate investments is described in note 2.11.

2.18 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.

(All amounts are expressed in United States Dollars thousands)

2. Significant accounting policies (continued)

2.19 Provisions

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

2.20 Income tax

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

2.21 Zakah

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

3. Cash and cash equivalents

	2013	2012
Cash on hand	725	330
Balances with banks (current accounts)	109,895	20,891
	110,620	21,221
Restricted bank balances *	2,625	104,803
Placement with financial institutions	111,812	5,606
	114,437	110,409
	225,057	131,630

Placements with financial institutions represent inter-bank placements in the form of Wakala investments. The average rate of return on Wakala investments is 0.59% per annum (2012: 0.43%).

* An amount of USD 101 million as at 31 December 2012 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.

4. Investments carried at amortised cost

	2013	2012
Investments in sukuk	74,600	52,400
Unamortised premiums and discounts, net	228	302
	74,828	52,702

The fair value of the Group's investments in sukuk portfolio amounted to USD 74.9 million (2012: USD 54.9 million).

(All amounts are expressed in United States Dollars thousands)

5. Due from financing activities

	2013	2012
Murabaha finances	77,768	57,545
Accrued profits	5,239	1,912
	83,007	59,457

Murabaha finances, mainly represent Murabaha facilities provided to counter parties in the business of corporate investments. The average rate of return on Murabaha financing is 8.56% per annum (2012: 8.95% per annum).

6. Accounts receivable

Accounts receivable comprises of the following:

	2013	2012
Trade debtors	33,949	20,737
Less: Provision for doubtful debts	(829)	(1,239)
	33,120	19,498

7. Inventories

Inventories comprise of the following:

	2013	2012
Raw materials	8,182	8,723
Semi finished goods	577	891
Finished goods	2,138	1,925
Less: Write down to net realisable value	(416)	(143)
	10,481	11,396

8. Corporate Investments

	2013	2012
Investments at fair value through equity	11,912	21,871
Investments at fair value through income statement	266,377	190,706
	278,289	212,577

8.1 Investments at fair value through equity

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

	2013	2012
Unquoted*	7,222	7,222
Quoted**	4,690	4,310
Investment in a fund	–	10,339
	11,912	21,871

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

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

(All amounts are expressed in United States Dollars thousands)

8. Corporate Investments (continued)

8.2 Investments at fair value through income statement

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

	2013	2012
Investment Type		
Venture capital investments	141,781	122,159
Other investments at fair value through income statement	124,596	68,547
	266,377	190,706

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

	2013			2012		
	Investments at fair value through equity	Investments at fair value through income statement	Total	Investments at fair value through equity	Investments at fair value through income statement	Total
At the beginning of year	21,871	190,706	212,577	9,968	200,466	210,434
Additions	–	28,044	28,044	10,000	54,114	64,114
Disposal*	(10,339)	(18,941)	(29,280)	–	(72,778)	(72,778)
Fair value adjustments	380	66,568	66,948	1,903	8,904	10,807
At the end of the year	11,912	266,377	278,289	21,871	190,706	212,577

*The Group partially exited one of its venture capital investments during 2013 which resulted in a net capital gain of USD 7.6 million (2012: disposal of a venture capital investment resulting in a net capital gain of USD 3.3 million), that has been accounted for in the consolidated income statement.

8.4 Fair value measurement

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

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

(iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgment in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement.

31 December 2013	Level 1	Level 2	Level 3	Total
Investments at fair value through equity	4,690	–	7,222	11,912
Investment at fair value through income statement*	83,186	–	183,191	266,377
Net gains and losses included in the consolidated statement of changes in equity	380	–	–	380
Net gains and losses, recognized through consolidated income statement	51,490	–	15,078	66,568

* The investment at fair value through income statement classified as level 1 during 2013 used to be classified as level 3 during 2012. The transfer to level 1 took place during 2013 due to the listing of the investee.

(All amounts are expressed in United States Dollars thousands)

8. Corporate Investments (continued)

8.4 Fair value measurement (continued)

31 December 2012	Level 1	Level 2	Level 3	Total
Investments at fair value through equity	14,649	–	7,222	21,871
Investments at fair value through income statement	–	–	190,706	190,706
Net gains and losses included in the consolidated statement of changes in equity	1,903	–	–	1,903
Net gains and losses, recognized through consolidated income statement	–	–	8,904	8,904

The below table summarises the valuation technique and inputs used in the fair value measurement at 31 December 2013 and 2012 for level three investments, measured at fair value:

	Valuation technique	Inputs used	Range of inputs	
			31 Dec 2013	31 Dec 2012
Investments at fair value through income statement	Discounted cash flows ("DCF")	Growth rate	1.5% to 5%	2.5% to 4.5%
		Discount rate	10% to 15.8%	10.5% to 14.7%

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

Growth rate

Growth rates are assumed to be in range of 1.5% to 5% (2012: 2.5% to 4.5%) based on actual and expected performance of the investee. Should the growth rates increase / decrease by 1 percentage point (2012: 1 percentage point), the carrying value of the investments would be USD 19 million higher / USD 14 million lower (2012: USD 22 million higher/ USD 11 million lower);

Discount rate

The discount rates are assumed to be in range of 10% -15.8% (2012:10.5 % -14.7%) for different investments. Should these discount rates increase / decrease by 1 percentage point (2012: 1 percentage point), the carrying value of the investments would be USD 20 million lower / USD 25 million higher (2012: USD 19 million lower / USD 20 million higher);

Expected cash flows

Amount of expected cash flows and timing thereof are key variables in valuation of the investments. Should the amount of expected cash flows increase / decrease by 1 percentage point (2012: 1 percentage point), the carrying value of the investments would be USD 2 million higher / USD 2 million lower (2012: USD 1 million higher/ USD 2 million lower).

(All amounts are expressed in United States Dollars thousands)

9. Investments in real estate

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

	2013	2012
At the beginning of year	54,142	19,760
Balance recognised on acquisition of subsidiary (note 23)	–	31,971
Addition	4,942	6,339
Transfer from fixed assets	–	8
Fair value adjustments	2,451	812
Balance derecognised on disposal of subsidiary	–	(4,748)
At the end of the year	61,535	54,142

Valuation of investment in real estate of 17.7 million was based on independent valuer who holds a recognised and relevant professional qualification in UAE. Valuation was based on latest transactions in the market. Remaining investment in real estate amounting 43.8 million was valued by management internally without any significant change of fair value as at 31 December 2013.

10. Other assets

Other assets comprise the followings:

	2013	2012
Other receivables	8,397	6,511
Prepayments	14,586	6,693
Refundable deposits	1,434	792
Due from related parties (note 22)	742	782
Due from employees	347	239
Total	25,506	15,017
Provision for other receivables	–	(111)
	25,506	14,906

(All amounts are expressed in United States Dollars thousands)

11. Fixed assets

	Plant and machinery	Land and buildings	Machinery and equipment	Furniture and fixture	Building renovation and fixtures	Motor vehicle	Capital work in progress	Total
Cost								
As at 1 January 2012	91,587	82,535	5,047	8,049	5,722	2,355	7,426	202,721
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	(82,331)	(66,513)	(2,050)	(987)	(5,779)	(2,084)	(4,645)	(164,389)
As at December 31, 2012	17,973	19,637	6,942	7,822	592	439	62	53,467
Additions	1,030	296	2,793	177	489	24	230	5,039
Transfers	62	–	–	–	–	–	(62)	–
Disposals	–	–	(1)	–	–	–	–	(1)
As at December 31, 2013	19,065	19,933	9,734	7,999	1,081	463	230	58,505
Accumulated depreciation								
As at January 1, 2012	24,944	3,582	3,228	2,168	2,823	1,368	–	38,113
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)
As at December 31, 2012	8,539	1,182	4,471	3,032	356	221	–	17,801
Depreciation charge*	964	228	1,570	1,182	53	62	–	4,059
Disposals/transfer	–	–	(1)	–	–	–	–	(1)
As at December 31, 2013	9,503	1,410	6,040	4,214	409	283	–	21,859
Net book amount								
As at 31 December 2012	9,434	18,455	2,471	4,790	236	218	62	35,666
As at 31 December 2013	9,562	18,523	3,694	3,785	672	180	230	36,646

*Depreciation charge includes an amount of USD 2,380 thousand (2012: US $9,742 thousand) which relates to non-banking activities.

(All amounts are expressed in United States Dollars thousands)

12. Intangible assets

	Software and Core Banking System	Brand and Contractual Relationships	Total
At 1 January 2012			
Cost:			
Beginning balance	3,254	–	3,254
Additions during the year	501	–	501
Intangible assets identified in the process of acquisition of a subsidiary (Note 23)	–	9,607	9,607
At 31 December 2012	3,755	9,607	13,362
Amortisation			
Beginning balance	1,338	–	1,338
Amortisation charge for the year	501	741	1,242
At 31 December 2012	1,839	741	2,580
Net book value as at 31 December 2012	1,916	8,866	10,782
As at 1 January 2013			
Cost:			
Beginning balance	3,755	9,607	13,362
Additions during the year	882	–	882
At 31 December 2013	4,637	9,607	14,244
Amortisation			
Beginning balance	1,839	741	2,580
Amortisation charge for the year*	585	1,773	2,358
At 31 December 2013	2,424	2,514	4,938
Net book value at 31 December 2013	2,213	7,093	9,306

*Amortisation charges included an amount of USD 1,773 (2012: US $741 thousands) which relates to non-banking activities.

13. Financing from financial institutions

	2013	2012
Bank facilities	23,034	12,604
Bank overdraft	1,002	3,251
Murabaha financing	46,522	57,222
Ijara financing	8,169	–
Accepted wakala deposits	12,750	5,001
	91,477	78,078

As at 31 December 2013, shares with carrying amount of USD 43 million were pledged against murabaha financing (31 December 2012: nil).

(All amounts are expressed in United States Dollars thousands)

14. Other liabilities

	2013	2012
Accounts payable	19,026	15,704
Staff-related payables	14,837	9,865
Other payables	10,275	3,866
Accrued expenses	6,013	13,650
Due to related parties (note 22)	332	1,013
Unearned revenue	75	218
Dividends payable	3,683	1,727
	54,241	46,043

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

15. Share capital

	2013	2012
Authorised:		
200,000,000 ordinary shares (2012: 1,000,000,000 ordinary shares) of QAR 10 each (2012: USD 1 each)	549,451	1,000,000
Issued and paid:		
200,000,000 ordinary shares (2012: 862,952,155 ordinary shares) of QAR 10 each (2012: USD 1, paid USD 0.5 each)	549,451	431,476

In the General Assembly Meeting, held in 3 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 the new authorised capital of the Bank to QAR 2 billion (USD 549 million). In addition, the unpaid portion of each share as at 31 December 2012 was waived so that issued and paid capital then amounted to QAR 1,571 million (USD 431 million).

During 2013 the Bank received QAR 472.3 million (USD 129.7 million) in relation to the issuance of 42,942,708 shares at par value with a premium of QAR 42.9 million (USD 11.8 million). The Bank had incurred share issuance expense amounting to QAR 42.9 million (USD 11.8 million) which has been adjusted against the share premium amount.

16. Revenue and expenses from non-banking activities

	2013	2012
Sales	85,945	43,070
Other income	1,024	618
Revenue from non-banking activities	86,969	43,688
Cost of sales	(61,299)	(31,499)
Other expenses	(20,705)	(13,105)
Finance costs	(2,822)	(4,241)
Non-banking activity expenses	(84,826)	(48,845)
Net income/(loss) from non-banking activities	2,143	(5,157)

(All amounts are expressed in United States Dollars thousands)

17. Other income

	2013	2012
Rental income	3,595	3,545
Advisory fees	320	15
Arrangement and participation fees	507	–
Other (expense)/income	(522)	804
	3,900	4,364

18. Other operating expenses

	2013	2012
Rent expense	6,747	6,198
Directors' remuneration	2,428	2,907
Professional services	3,385	4,923
Other general and administrative expenses	2,100	1,806
Business trip expenses	1,592	2,319
Public relations and advertising	1,198	679
IT expenses	977	826
Building maintenance and utilities	400	525
Information service	245	249
Social responsibility	111	195
	19,183	20,627

19. 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.

	2013	2012
Basic earnings per share from continuing operations		
Net profit attributable to the owners of the parent	38,648	23,636
Total weighted average number of shares	171,327	157,057
Basic earnings per share (US cents)	22.56	15.05
Basic earnings per share from discontinued operations		
Net profit attributable to the owners of the parent	–	7,495
Total weighted avergae number of shares	–	157,057
Basic earnings per share (US cents)	–	4.77
Total earnings per share from continued and discontinued operations	22.56	19.82

Since no dilutive impact, basic earnings per share equal the dilutive earning per share. Calculation of prior year's EPS has been restated using the new applied capital structure during 2013 for comparability purposes (Note 15).

(All amounts are expressed in United States Dollars thousands)

20. Contingent liabilities

	2013	2012
The Group had the following contingent liabilities as at 31 December:		
Letters of credit	–	410
Letters of guarantee	8,251	3,285
Total contingent liabilities	8,251	3,695

21. Commitments

	2013	2012
Commitment for operating lease		
Later than one year	40,037	44,125
No later than one year	7,290	6,535
	47,327	50,660
Investment-related commitments	–	18,313
Commitment for operating & capital expenditure	6,458	828
	53,785	69,801

22. 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.

	2013	2012
a) Due from related parties		
Affiliated entities	742	782

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

	2013	2012
b) Due to related parties		
Affiliated entities	332	1,013

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

	2013	2012
c) Compensation of key management personnel		
Salaries and short term benefits of senior management	8,329	5,667
Directors' remuneration	2,345	2,145
Shari'ah supervisory board remunerations	141	143
	10,815	7,955

d) During the year of 2013, an amount of USD 11.79 million (2012: nil) was paid/payable to some of the directors for their contribution in raising capital.

23. 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. This transaction resulted in recognition of a gain on a bargain purchase of a subsidiary amounted to USD 8,539 thousand and net cash out flow of USD 18,853 thousand in consolidated financial statements of the Group for the year ended 31 December 2012.

24. Discontinued operations

During 2012, the Group had legally restructured the ownership of its former subsidiary Emirates National Factory for Plastic Industries LLC for the purposes of spinning off 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 of on 30 December 2012. This transaction resulted in recognition of a capital gain of USD 27,288 thousand and net cash inflow of USD 93,269 thousand in consolidated financial statements of the Group for the year ended 31 December 2012. Net income after tax from discontinued operations of USD 10,632 thousand was recognised in consolidated income statement for the year ended 31 December 2012.

25. Zakah

Zakah is directly borne by the Owners. The Group does not collect or pay Zakah on behalf of its Owners. Zakah payable by the Owners is computed by the Group on the basis of the method prescribed by the Group's SSB and notified to the Owners. Zakah payable by the Owners, for the year ended 31 December 2013 was US cents 4.85 for every share held (2012: US cents 4.44). As new shareholders joined through the increase of share capital; and their invested funds in the bank remained only for a specific period of time, therefore, zakat is calculated according to the period.

26. 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 judgements and estimates are as follows:

- Classification of financial instruments

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

- 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 judgement. 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.

- Fair value of corporate investments that were valued using assumptions that are not based on observable market data.

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

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

- Useful lives of tangible and intangible assets

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

27. Financial instruments and related risk management

Financial instruments definition and classification

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

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

Fair value of financial instruments

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

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

Risk management

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

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.

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.

(All amounts are expressed in United States Dollars thousands)

27. Financial instruments and related risk management (continued)

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.

	2013	2012
Balances with banks	112,520	125,694
Placements with financial institutions	111,812	5,606
Due from financing activities	83,007	59,457
Accounts receivable	33,120	19,498
Other assets	25,506	14,906
Investments carried at amortised cost	74,828	52,702
	440,793	277,863

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

	2013	2012
AAA to A-	196,456	125,734
BBB+ to B-	99	301
Unrated	27,777	5,265

As an active participant in the banking markets, the Group has a significant concentration of credit risk with other financial institutions. At 31 December 2013 the Group had balances with a counterparty bank (2012: 1 bank) with aggregated amounts above USD 70 million. The total aggregate amount of these deposits was USD 88,643 thousand (2012: USD 101,926 thousand).

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

	2013	2012
Qatar	143,995	26,893
United Arab Emirates	117,374	65,548
Asia & Middle East	53,561	143,083
North America	88,669	10,201
Europe & Others	37,194	32,138
	440,793	277,863

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

	2013	2012
Financial services	296,351	179,563
Industrial	24,006	11,333
Real estate and construction	28,201	30,872
Technology	3,375	2,404
Oil & gas	51,914	34,251
Others	36,946	19,440
	440,793	277,863

(All amounts are expressed in United States Dollars thousands)

27. Financial instruments and related risk management (continued)

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.

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 2013

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
Assets							
Cash and cash equivalents	110,595	111,812	–	2,650	–	–	225,057
Investments carried at amortised cost	–	–	–	–	74,828	–	74,828
Accounts receivable	–	16,348	4,750	11,337	685	–	33,120
Corporate investments	–	–	–	100,693	177,596	–	278,289
Investments in real estate	–	–	–	–	17,699	43,836	61,535
Due from financing activities	–	1,594	8,300	–	73,113	–	83,007
Other assets	–	5,451	2,782	8,507	8,497	269	25,506
Total financial assets	110,595	135,205	15,832	123,187	352,418	44,105	781,342
Liabilities							
Financing from financial institutions	–	32,513	7,223	3,661	48,080	–	91,477
Customers account balances	6,436	68,271	9,375	–	–	–	84,082
Other liabilities	3,683	28,739	8,443	6,061	2,649	4,666	54,241
Total financial liabilities	10,119	129,523	25,041	9,722	50,729	4,666	229,800
Net liquidity gap	100,476	5,682	(9,209)	113,465	301,689	39,439	551,542
Net cumulative gap	100,476	106,158	96,949	210,414	512,103		

(All amounts are expressed in United States Dollars thousands)

27. Financial instruments and related risk management (continued)

Liquidity risk and funding management (continued)

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

At 31 December 2012

	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Undated	Total
Assets							
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
Total financial assets	125,773	23,288	6,108	85,847	248,034	55,862	544,912
Liabilities							
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
Total financial liabilities	1,727	84,527	15,995	9,077	8,992	3,803	124,121
Net liquidity gap	124,046	(61,239)	(9,887)	76,770	239,042	52,059	420,791
Net cumulative gap	124,046	62,807	52,920	129,690	368,732		

Market risk

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

(a) Listed corporate investments

The Group has certain exposure to equity price risk mainly due to some corporate investments being listed in stock exchanges. At 31 December 2013, if equity prices at that date had been 5% higher/lower with all other variables held constant, net income for the year would have been USD 4,159 thousand (2012: nil) higher/lower and fair value reserve would have been USD 235 thousand (2012: USD 732 thousand) higher/lower.

(b) Non- listed corporate investments

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

(All amounts are expressed in United States Dollars thousands)

27. Financial instruments and related risk management (continued)

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.

	2013	Change in profit rate (+/-)	Effect on net profit (+/-)
Assets			
Placements with financial institutions	111,812	100	1,118
Investments carried at amortised cost	74,828	100	748
Due from financing activities	83,007	100	830
Liabilities			
Customers' account balances	84,082	100	(841)
Financing from financial institutions	91,477	100	(915)
			940

	2012	Change in profit rate (+/-)	Effect on net profit (+/-)
Assets			
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
Liabilities			
Financing from financial institutions	78,078	100	(781)
			397

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.

(All amounts are expressed in United States Dollars thousands)

27. Financial instruments and related risk management (continued)

Foreign exchange risk (continued)

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)	
	2013	2012
Currency		
QAR	91,970	9,770
AED	133,813	93,985
SAR	2	2

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 income statement and the consolidated statement of changes in Owners' equity. The effect of decreases in the currency rates is expected to be equal and opposite to the effect of the increases shown.

	Exposure (USD equivalent)		Effect on net profit (+/-)	
	2013	2012	2013	2012
Currency				
GBP	26,436	28,594	5,287	5,719
EUR	1,770	2,029	354	406
JOD	166	211	33	42
TRY	109,000	99,000	21,800	19,800
KWD	9	10	2	2
			27,476	25,969

Commodities price risk

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

Operational risk

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

Concentration risk

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

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

(All amounts are expressed in United States Dollars thousands)

27. Financial instruments and related risk management (continued)

Capital management

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

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

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

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

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

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

	2013	2012
Total risk weighted assets	514,748	368,138
Tier 1 Capital	580,132	452,237
Share capital	549,451	431,476
Retained earnings	39,987	31,543
Intangible assets	(9,306)	(10,782)
Tier 2 Capital: Fair value reserve	4,635	2,144
Total capital resources	584,767	454,381
Total capital resources expressed as a percentage of total risk weighted assets	113.60%	123.43%

28. 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.

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, commercial banking and support functions of the Group.

(a) Information about reportable segment assets and liabilities

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

(All amounts are expressed in United States Dollars thousands)

28. Segment information (continued)

(b) Information about reportable profit and loss

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

	Private equity	Strategic investments	Corporate finance	Treasury	Other	Total
At 31 December 2013						
Income						
Revenue from non-banking activities	86,969	–	–	–	–	86,969
Gain on re-measurement of investments at fair value through statement of net income	62,990	3,578	–	–	–	66,568
Dividends income	288	–	–	–	–	288
Profit on investments carried at amortised cost	–	–	–	2,456	–	2,456
Gain on disposal of investments carried at amortised cost	–	–	–	1,132	–	1,132
Gain on disposal of corporate investments	7,628	–	–	–	314	7,942
Income from financing activities	–	6,865	–	(38)	59	6,886
Other income	–	276	–	–	3,624	3,900
Total income	157,875	10,719	–	3,550	3,997	176,141
Expenses						
Non-banking activity expenses	84,826	–	–	–	–	84,826
Staff costs	5,185	3,759	1,775	1,373	18,699	30,791
Other operating expenses	–	–	–	–	19,183	19,183
Depreciation and amortization expenses	–	–	–	–	2,263	2,263
Total expenses	90,011	3,759	1,775	1,373	40,145	137,063
Net income (loss) before tax	67,864	6,960	(1,775)	2,177	(36,148)	39,078
Income Tax	–	–	–	–	–	–
Net income(loss) for the year	67,864	6,960	(1,775)	2,177	(36,148)	39,078

(All amounts are expressed in United States Dollars thousands)

28. Segment information (continued)

(b) Information about reportable profit and loss

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

	Private equity	Strategic investments	Corporate finance	Treasury	Other	Total
At 31 December 2012						
Income						
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 subsidary	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
Total income	**285,249**	**6,236**	**15**	**6,768**	**3,578**	**301,846**
Expenses						
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
Total expenses	**225,516**	**4,323**	**2,066**	**1,316**	**38,528**	**271,749**
Net income (loss) before tax	59,733	1,913	(2,051)	5,452	(34,950)	30,097
Income Tax	–	–	–	–	–	–
Net income (loss) for the year	**59,733**	**1,913**	**(2,051)**	**5,452**	**(34,950)**	**30,097**

Total income and expenses for the year include the results of discontinued operations USD 181m and USD 171m respectively (Note 24).

(All amounts are expressed in United States Dollars thousands)

28. Segment information (continued)

Geographical segment information

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

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

	Qatar	Asia/ Middle East	Total
31 December 2013			
Income			
Revenue from non-banking activities	551	86,418	86,969
Gain on re-measurement of investments at fair value through income statement	–	66,568	66,568
Dividends income	288	–	288
Profit on investments carried at amortised cost	286	2,170	2,456
Gain on disposal of investment carried at amortised cost	–	1,132	1,132
Gain on disposal of corporate investments	–	7,942	7,942
Income from financing activities	242	6,644	6,886
Other income	3,782	118	3,900
Total income	5,149	170,992	176,141
Expenses			
Non-banking activity expenses	954	83,872	84,826
Staff costs	30,791	–	30,791
Other operating expenses	19,183	–	19,183
Depreciation and amortisation expenses	2,263	–	2,263
Total expenses	53,191	83,872	137,063
Income (loss) before tax	(48,042)	87,120	39,078
Income Tax	–	–	–
Net income (loss) for the year	**(48,042)**	**87,120**	**39,078**

(All amounts are expressed in United States Dollars thousands)

28. Segment information (continued)

Geographical segment information (continued)

	Qatar	Asia/ Middle East	Total
31 December 2012			
Income			
Revenue from non-banking activities	–	225,531	225,531
Gain on re-measurement of investments at fair value through income statement	–	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 investment	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
Total income	7,256	294,590	301,846
Expenses			
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
Total expenses	52,023	219,726	271,749
Income (loss) before tax	(44,767)	74,864	30,097
Income Tax	–	–	–
Net income (loss) for the year	(44,767)	74,864	30,097

Total income and expenses for the year include the results of discontinued operations amounting USD 181 million and USD 171 million, respectively (Note 24).

29. Dividends

In its Board of Directors meeting held on 3 March 2013, the Bank's Board of Directors proposed a cash dividends of USD 30.2 million, which represents 7% (2012: 6%) of the paid up capital as of that date. In its General Assembly Meeting held on 30 May 2013, the shareholders of the Bank approved the aforementioned dividend amount.

30. Comparative figures

Where necessary, corresponding figures are reclassified to conform to current year presentation. During the year, certain comparative amounts in the consolidated statement of cash flows were reclassified to maintain comparability.