everything is possible

COMMERCIAL BANK

40 years of prosperity & innovation

Annual Report 2014

His Highness the Father Emir
Sheikh Hamad bin Khalifa Al Thani

His Highness
Sheikh Tamim bin Hamad Al Thani
Emir of the State of Qatar

Contents

Celebrating 40 years of prosperity and innovation

This is a special year in the history of Commercial Bank as we celebrate our 40th year as Qatar's first and largest private bank. Commercial Bank was founded on a simple but powerful promise that 'everything is possible'. This promise runs like a thread through Commercial Bank's history, from our earliest days reflecting the entrepreneurial ambition of our founders, to 2015 and beyond. It is inspired by the sense of possibility that defines the spirit of Qatar today and has ensured that the last 40 years have been marked by ongoing prosperity and innovation for the Bank.

Commercial Bank's legacy over the past 40 years has mirrored the extraordinary success story of Qatar. We are proud to be a home-grown Qatari bank supporting economic diversity and sustainability in Qatar while fulfilling our commitment to regulators, shareholders, customers, employees and the community since the very first day we opened our doors for business.

Commercial Bank is inspired by, part of, and wholly committed to Qatar. Under the leadership of His Highness the Emir, Sheikh Tamim bin Hamad Al Thani, Qatar will continue to thrive and flourish, and we look forward to being part of this future with ambition and confidence.

Business at a Glance

About Commercial Bank

Incorporated in 1974 as the first private bank in the country, Commercial Bank is today one of the leading financial institutions in Qatar with a profitable track record since inception. We continue to play an important role in driving innovation and raising service standards in banking across the region through our investment in new technology, a clear focus on customers and prudent management. Our country-wide network includes 29 full service branches and 152 ATMs, and we also own and operate exclusive Diners Club franchises in Qatar and Oman. We are listed on the Qatar Exchange and were the first Qatari bank to list its Global Depository Receipts, as well as bonds, on the London Stock Exchange.

Our successful strategy has diversified our income streams and expanded our GCC footprint through our associates the National Bank of Oman in Oman and United Arab Bank in the United Arab Emirates. Building on the successful execution of the Bank's regional expansion strategy to date, in July 2013 Commercial Bank acquired a majority stake in ABank in Turkey. These strategic alliances enable Commercial Bank to offer integrated services across the region, including cross border services for corporate banking and capital markets; support on trade services; private banking services; and, syndicated loans in all four markets.

Our continual investment in technology and people, together with our strong capital base, provides a solid foundation for further growth. Commercial Bank has a robust financial position, with total assets of QAR 115.65 billion at 31 December 2014, and a capital adequacy ratio of 15.2% – well above the minimum 12.5% required by the Qatar Central Bank. The Bank enjoys strong credit ratings of A from Fitch, A1 from Moody's and A- from Standard & Poors.

True to our pioneering origins and history of success, we are dedicated to supporting Qatar's economic development and social infrastructure through Corporate Social Responsibility programmes and sponsorship of various events, which help to raise Qatar's international profile.

Our business segments

Wholesale Banking provides a range of conventional commercial and investment banking services and products to large, medium and small enterprises, including corporate lending, trade finance, syndicated loans, deposits, letter of credit and guarantees.

Retail Banking provides a full suite of conventional retail banking services and products to retail customers in Qatar, including current and deposit accounts, wealth management, mortgage lending, personal and vehicle loans and credit card and other card services.

Associates and subsidiaries

Alternatifbank (A.S.)
A subsidiary in Turkey that operates through a network of 73 branches across 27 cities in the country as well as alternative distribution channels.

National Bank of Oman (S.A.O.G.)
Operates through 61 conventional branches and 4 Islamic branches in Oman, and 1 branch each in Egypt, Abu Dhabi and Dubai.

United Arab Bank (P.J.S.C.)
Operates through 31 branches in the United Arab Emirates.

Asteco Qatar W.L.L.
A joint venture property management company.

Massoun Insurance Services L.L.C.
A joint venture that provides tailored corporate and personal insurance products to the Bank's customers.

Orient 1 Limited
A fully owned subsidiary that owns and manages an exclusive Diners Club franchise in Qatar and Oman.

Global Card Services L.L.C.
A limited liability company that issues Diners Club Credit Cards and acquires merchant rights in Oman.

Commercial Bank Investment Services (S.P.C.)
A fully owned subsidiary that provides direct access to the Qatar Exchange, online trading and brokerage services.

CBQ Finance Limited
An exempt company with limited liability incorporated in Bermuda under the Companies Act 1981.
The company is organised as a special purpose entity and has been established to raise capital for the Commercial Bank of Qatar by issue of debt instruments.

Total assets

QAR 115.65 bn
Up 2.3% from 2013

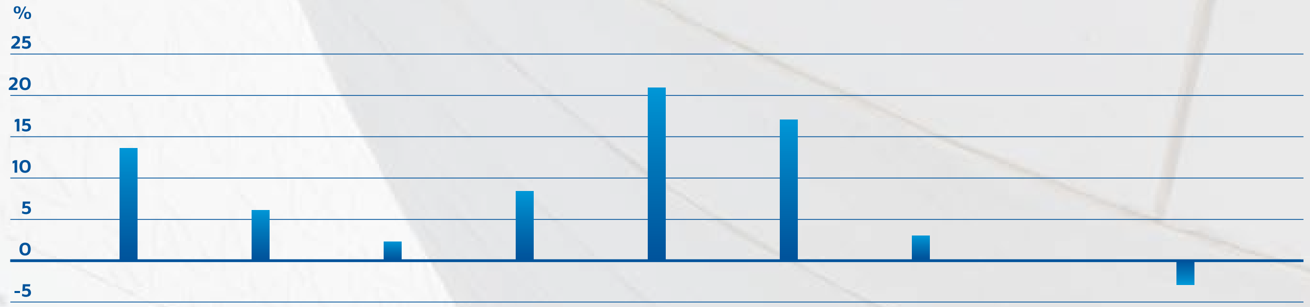
Capital strength

15.2%
Total regulatory capital ratio

Financial Highlights

In QAR million, except per share amounts and as stated otherwise	**2014**	2013	2012	2011	2010	2009	2008
Net interest income	**2,581**	2,188	1,866	1,938	1,695	1,584	1,218
Net operating income	**3,903**	3,434	2,984	2,864	2,562	2,778	2,769
Net profit	**1,940**	1,605	2,012	1,884	1,635	1,524	1,702
Total assets	**115,652**	113,112	80,038	71,638	62,520	57,317	61,485
Lending to customers	**72,541**	66,863	48,594	41,712	33,567	31,929	33,898
Basic/diluted earnings per share in QAR	**5.93**	5.40	8.13	7.71	7.24	7.08	8.76
Dividends declared per ordinary share including bonus shares in QAR	**4.50**	4.00	6.00	6.00	7.00	6.00	7.00
Closing market price per ordinary share in QAR (at year end)	**68.50**	70.8	70.90	84.00	92.00	61.50	88.40
Book value per ordinary share in QAR	**59.60**	66.90	60.37	57.51	55.11	55.47	48.39
Long-term debt (at year end)	**18,885**	17,105	12,177	11,054	10,994	9,924	6,096
Shareholders' equity (at year end)	**17,696**	16,555	14,939	14,230	12,500	12,010	9,978
Return on average shareholders' equity	**11.3%**	10.2%	13.8%	14.1%	13.3%	13.9%	21.0%
Return on average assets	**1.7%**	1.7%	2.7%	2.8%	2.7%	2.6%	3.2%
Capital adequacy ratio	**15.2%**	14.1%	17.0%	17.9%	18.5%	18.9%	15.7%
Full-time employees (at year end)	**1,159**	1,154	1,114	1,115	1,207	1,239	1,241

Key Highlights



Net operating income up 13.6% to QAR 3.90 billion, increased from QAR 3.43 billion in 2013

Non-interest income up 6.1% to QAR 1.32 billion compared with QAR 1.25 billion for the same period in 2013 due to higher fee and commission income, and was partially offset by lower income from investments securities and foreign exchange

Total assets up 2.3% to QAR 115.65 billion

Loans and advances to customers up 8.4% to QAR 72.54 billion, through credit growth in Government, contracting, services, commercial and retail sectors

Net profit for the year increased by 20.9% to QAR 1.94 billion compared with QAR 1.60 billion achieved in 2013

Contribution of Commercial Bank's associates to the Bank's net profit increased by 17% to QAR 381 million compared with QAR 325 million for 2013

Net provisions for loans and advances were QAR 623 million, up 3% from QAR 604 million provided in the same period for 2013

Customers' deposits reduced by 2.9% to QAR 61.56 billion

During the year Commercial Bank issued USD 750 million (QAR 2.73 billion) five year senior unsecured fixed rate notes under its USD 5 billion European Medium Term Notes (EMTN) Programme and ABank issued USD 250 million (QAR 910 million) five year senior unsecured fixed rate notes

Net profit
QAR 1.94 bn

Earnings per share
QAR 5.93

Customer loans and advances
QAR 72.54 bn

Customers' deposits
QAR 61.56 bn

Total assets
QAR 115.65 bn

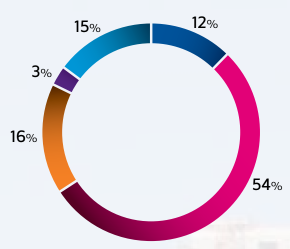
Forward looking statements

This document contains certain forward looking statements with respect to certain plans and current goals and expectations of Commercial Bank and its associated companies relating to their future financial condition and performance.

These forward looking statements do not relate only to historical or current facts. By their nature forward-looking statements involve risk and uncertainty because they relate to future events and circumstances including a number of factors which are beyond Commercial Bank's control.

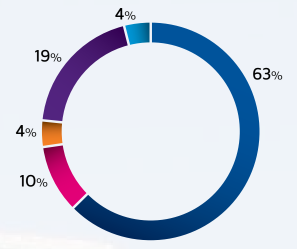
As a result, Commercial Bank's actual future results may differ materially from the plans, goals and expectations set forth in Commercial Bank's forward-looking statements. Any forward-looking statements made by or on behalf of Commercial Bank speak only as of the date they are made. Commercial Bank does not undertake to update forward looking statements to reflect any changes in Commercial Bank's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

The information, statements and opinions contained in this presentation do not constitute a public offer under any applicable legislation or an offer to sell or solicitation of an offer to buy any securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.



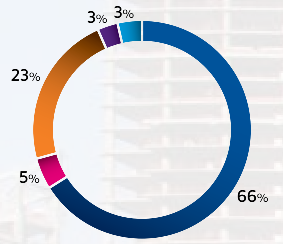
Funding Mix

- Due to banks & financial institutions
- Other borrowed funds
- Shareholder's funds
- Customer's deposits
- Other liabilities



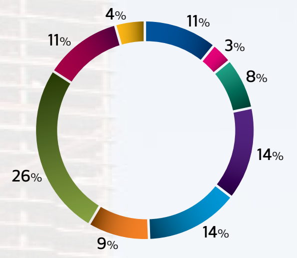
Total Assets

- Loans
- Investments
- Investments in associates
- Liquid assets
- Other assets



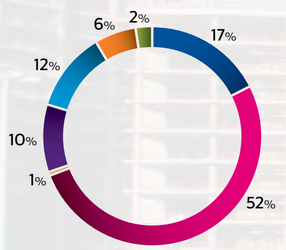
Net Operating Income

- Net interest income
- Net fee income
- Other income
- Investment & dividend income
- Foreign exchange income



Loans and Advances

- Government
- Industry
- Services
- Real estate
- Other
- Gov. & semi-gov. agencies
- Commercial
- Contracting
- Consumption



Shareholder's Equity

- Share capital
- Risk reserve
- Retained earnings
- Legal reserve
- Tier 1 Note
- Other reserves
- Proposed dividend

Chairman's Report

Sheikh Abdullah bin Ali bin Jabor Al Thani

"Our ability to support the prosperity of the nation has been made possible by our commitment to innovation. We have never been afraid to be first when we can see real benefits for our clients. Our service innovations, many of which were firsts for the Qatari market, have changed the way Qatari companies and consumers bank."

I am pleased to present the Commercial Bank of Qatar's Annual Report for the year ended 31 December 2014 on behalf of the Board of Directors.

Forty years ago, the Commercial Bank of Qatar was incorporated as Qatar's first private sector bank. Our success and our place in Qatar's history owe much to the far-sighted vision of the founding members. The founders, representing Qatar's most prominent families and owners of some of the biggest businesses at the time, chose the name of "The Commercial Bank of Qatar" as it represented the objective of the bank: to support and encourage Qatar's trading community. Commercial Bank today continues to thrive from the original ambition of our founders to create a financial institution based on very best industry practices. Commercial Bank is firmly established within Qatar's banking sector and plays an important role in supporting its continued growth, just as our founders intended forty years ago.

Our ability to support the prosperity of the nation has been made possible by our commitment to innovation. We have never been afraid to be first when we can see real benefits for our clients. Our service innovations, many of which were firsts for the Qatari market, have changed the way Qatari companies and consumers bank. New opportunities could be pursued through new sources of financing, where previously there were none or they were limited. The unlocking of this ambition through appropriate and effective financing has directly supported the livelihood of the Qatari economy.

Commercial Bank's role in realising potential remained important during the year, as Qatar and the world adjusted to the new economic conditions following the repercussions of the global recession. 2014 marked a year in which we saw the impact of geo-politics on the world's markets and economies. The most significant issue for world markets was that of Ukraine, which brought US-led sanctions against Russia, which in turn led to the Russian rouble's devaluation against major world currencies. The Eurozone crisis continued into 2014 with the Continent edging closer to disinflation as the trading bloc's growth stagnated. The spectre of disinflation led to the ECB's President promising to utilise "all available instruments" indicating a willingness to instigate a European Quantitative Easing programme. Although China's economy grew by only 7.4%, the slowest GDP growth rate since 1990, falling oil prices and a stabilising real estate market, mean a resilient, if not growing, outlook for what has become a key market for the world. The US economy was the only major world economy to outperform during the year, and the ending of its quantitative easing programme by the Federal Reserve's new chairman signalled monetary tightening in 2015, which resulted in the dollar strengthening. In October, IMF Managing Director Christine Lagarde forecast that the global economy faced an extended period of low growth. One of the key factors behind this assertion was the rapid decline in oil prices during the second half of the year. Over-supply and weak global demand saw oil prices down by 42% during the year, a decline which impacted global markets significantly.

As the world adjusted to the vicissitudes of slowing economic growth, the ending of quantitative easing programmes and lower oil prices, the Qatari economy continued to grow at a robust rate. The projected nominal GDP growth rate of Qatar was 6.3% in 2014, a growth rate which is expected to increase to 7.7% in 2015, as the non-hydrocarbons share of GDP overtakes that of oil and gas for the first time. Qatar's liquefied natural gas exports are locked in long-term contracts, making it less vulnerable to market fluctuations from the projected lower price of oil. In addition, most of Qatar's LNG is exported to Asia which is forecast to post solid growth in 2015, ensuring continued demand for energy. Continued investments into infrastructure, transport and logistics provide further stimulus to the economy. Population growth increased by 10% during the year, driven by organic growth and the influx of foreign workers to support new projects. Inflation remained at annualised 3.6% at the end of the third quarter of 2014. During the year, the government started to take steps to reduce borrowing and pay down debt with public loan levels down by 6%. As public borrowing slowed, private loan growth continued at a strong pace. By December 2014, nearly 60% of domestic loans held by Qatari banks were taken out by the private sector, up from 55% from the year before. A considerable amount of this borrowing has been used to fund investments and growth in non-hydrocarbons sectors, as the positive effects of the National Vision continue to be seen. Higher levels of domestic demand and increasingly stable energy earnings create the platform for potentially solid growth in 2015, as private sector activity continues to expand and state-funded investments broaden the base of economic development.

As we reflect on our performance over the past year, our achievements over the last forty and look forward to future opportunities, I would like to offer my personal thanks to H.E. Abdullah bin Khalifa Al Attiyah, who has led the Board of Directors as Chairman with dedication through a period of significant change and development. I hope that the Board of Directors will maintain these renowned contributions and commitment.

The world of banking continues to change fundamentally driven by factors such as the introduction of new global regulations to the explosion of technology, which has revolutionised how we offer services to our customers and how they interact with us.

The Board of Directors is recommending, for approval at the Annual General Assembly on 18 March 2015, a combination of a cash dividend payout of QAR 3.5 per share and the issue of one bonus share for every ten shares held. The level of dividend and bonus share recognises our shareholders' ongoing loyalty and Commercial Bank's commitment to invest in its ability to generate long-term, stable returns for its shareholders.

On behalf of the Board of Directors, I would like to express our sincere appreciation for the visionary leadership of His Highness the Emir, and for the guidance and support received from His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, His Excellency the Minister of Economy and Commerce and His Excellency the Governor of Qatar Central Bank.

Commercial Bank is committed to delivering the highest standards of service and value to both our customers and to our shareholders and in successfully delivering that ambition. We owe our thanks to the loyalty, dedication and hard work of all our employees who ensure that Commercial Bank creates opportunities every day.

Abdullah bin Ali bin Jabor Al Thani

Board of Directors









1	2	3
4	5	6
7	8	9

1. **Sh. Abdullah bin Ali bin Jabor Al Thani**
   Chairman
2. **Mr. Hussain Ibrahim Alfardan**
   Vice Chairman and Managing Director
3. **HE Mr. Abdul Rahman bin Hamad Al Attiyah**
   Board Member
4. **Mr. Mohammed Ismail Mandani Al Emadi**
   Board Member (Representative of M/S Savings Development Company LLC)
5. **Mr. Omar Hussain Alfardan**
   Board Member
6. **The Late Mr. Abdulla Mohammed Ibrahim Al Mannai**
   Board Member
7. **Mr. Ali Mohammed Ghanim Al Mannai**
   Board Member (Representative of Qatar Insurance Company)
8. **Mr. Jassim Mohammed Jabor Al Mosallam**
   Board Member
9. **Sh. Jabor bin Ali bin Jabor Al Thani**
   Board Member

Vice Chairman and Managing Director's Report

Mr. Hussain Ibrahim Alfardan

"Commercial Bank's growth has been achieved by retaining the knowledge, wisdom and direction of its founding directors whilst blending this with its commitment to build a world-leading bank to support the economic and societal development of Qatar."

Commercial Bank's development over the past four decades has mirrored the spectacular growth of Qatar. It has been an integral part of the economic and commercial development of the country since its incorporation in 1974 as the first private sector bank in the country. The continued success of the business and its ability to generate value for its shareholders, customers and employees reflect its commitment to support achieving the National Vision for Qatar which seeks to manage the potential of our culture with that of a modern, global economy.

In under 40 years, Qatar has moved from a nation of unbanked to a nation where everyday banking transactions are undertaken on smartphones or tablets through digital services, and Commercial Bank has been at the forefront of bringing innovations to the market. The level of sophistication and the wide spread availability of these services has been made possible by Commercial Bank's mission to create a world-leading banking institution for Qatar.

Commercial Bank's growth has been achieved by retaining the knowledge, wisdom and direction of its founding directors whilst blending this with its commitment to build a world-leading bank to support the economic and societal development of Qatar.

Our commitment to innovation, to creating prosperous opportunities over the past forty years has seen Commercial Bank deliver strong results for the financial year 2014. Net operating income increased by 13.6% to QAR 3,902 million for the year ended 31 December 2014, up from QAR 3,434 million achieved in 2013. ABank delivered net operating income of QAR 849 million for the year ended 31 December 2014 which represents 21.8% of the total net operating income.

Net interest income was QAR 2,581 million for the year ended 31 December 2014, 17.9% higher than in 2013, reflecting strong growth in lending activities and the full year contribution and consolidation of ABank. ABank contributed QAR 638 million, 24.7% of the total net interest income. Net interest margin increased marginally to 2.72% as compared to 2.71% in 2013.

Non-interest income was up 6.1% to QAR 1,322 million for the year ended 31 December 2014 compared with QAR 1,246 million in 2013 with ABank contributing QAR 211 million. The overall increase in non-interest income was due to higher net fee and commission income and was partially offset by lower income from investments securities and foreign exchange.

Total operating expenses were up 12.7% to QAR 1,620 million for the year ended 31 December 2014 compared with QAR 1,437 million in 2013. Excluding ABank, expenses were flat for the year ended 31 December 2014 compared to 2013.

The Bank's net provisions for loans and advances were QAR 623 million for the year ended 31 December 2014, up 3% from QAR 604 million provided in 2013. The non-performing loan ratio has increased to 3.79% at 31 December 2014 compared with 3.65% at 31 December 2013 and the coverage ratio has increased to 74.3% as at December 2014 compared to 63% in December 2013.

Impairment provisions on the Bank's investment portfolio reduced to QAR 50 million for the year ended 31 December 2014 compared with QAR 110 million in 2013.

Commercial Bank delivered balance sheet growth of 2.3% at the end December 2014 with total assets at QAR 115.7 billion, compared to QAR 113.1 billion at the end of December 2013. ABank contributed QAR 17.6 billion of assets for the period. Balance sheet growth was driven mainly by an increase of QAR 5.6 billion in lending to customers partly offset with a decrease of QAR 3.1 billion in financial investments.

Loans and advances to customers were up by 8.4% to QAR 72.5 billion at 31 December 2014 compared with QAR 66.9 billion at the end of December 2013. The growth in lending since December 2013 has been generated, mainly, in the Government, Contracting, Services, Commercial and Retail Sectors. Loans and advances to customers of QAR 13.1 billion at ABank were included at 31 December 2014.

Investment securities were down by 21% to QAR 11.6 billion at 31 December 2014 compared with QAR 14.7 billion at the end of December 2013. The reduction in investment securities is mainly due to the maturity and sale of Government bonds. Investment securities of QAR 1.4 billion at ABank were included at 31 December 2014.

Customers' deposits reduced by 2.9% to QAR 61.6 billion at 31 December 2014, compared with QAR 63.4 billion as at 31 December 2013. The reduction in deposits was due mainly to a decrease in time deposits as the Bank received funds from the EMTN issuances in June and July 2014. Partially offsetting this decrease was an increase in demand and savings balances. This reflects our strategy to ensure continued diversification of our funding base and our focus on growing low cost funds.

As Qatar's economy diversifies and develops, Commercial Bank will be there to support its growth, as it has been for the past four decades. In an increasingly borderless and digital age, Commercial Bank has to anticipate the future to ensure its continued relevance and value to its customers. We are pursuing innovative strategies to target additional sources of revenue growth, continuing the pioneering spirit of our founders. Commercial Bank was the first bank in Qatar to pursue inter-regional partnerships with its acquisitions of minority stakes in UAE based United Arab Bank (UAB) and the National Bank of Oman (NBO). These partnerships have meant that both UAB and NBO have benefited from Commercial Bank's best practice knowledge to create additional growth in their businesses which has flowed through to Commercial Bank's profitability and returns to investors. More recently, our acquisition of ABank in Turkey provides Commercial Bank with a significant opportunity to grow a market-leading bank in an economy which offers long-term growth prospects and growing regional trade. We believe the acquisition of ABank will generate significant returns to our shareholders over the coming years as we work with the management to apply our best practice with their local market knowledge to create an exciting banking business for Turkey.

On behalf of the Board of Directors, I would like to express our sincere appreciation for the visionary leadership of His Highness the Emir, and His Excellency the Prime Minister and Minister of the Interior, His Excellency the Minister of Finance, His Excellency the Minister of Economy and Commerce and His Excellency the Governor of Qatar Central Bank for their continuous guidance and support.

Hussain Ibrahim Alfardan

Commercial Bank

Celebrating 40 years of prosperity and innovation

1974

Commercial Bank is incorporated as Qatar's first private sector bank.

Three founding board members: Hussain Alfardan, Omar Al-Mana and Jassem bin Mohamed Al-Jaidah

1975

- First Commercial Bank employee, Abed Aziz, is hired in January.
- Commercial Bank, Qatar's first private bank, opens its first office to the public on 10 April. It begins operations under a management services contract with Chase Manhattan Bank.

First Commercial Bank employee Abed Aziz

First Commercial Bank headquarters, at Arab Bank roundabout

Four founding board members and first CEO Alan Mitchell at the opening of Commercial Bank

Commercial Bank's first customer with staff member Baba Foladi

1976

Commercial Bank hires Qatar's first female teller, who goes on to become the country's first female branch manager.

Huda Hobbi, Qatar's first female teller

1980

Commercial Bank's first full-service branch is opened at Souk Al Ahmed.

Souk Al Ahmed branch

1983

A second Commercial Bank branch is established, in Al-Wakrah – the first bank branch opened outside of Doha.

Al-Wakrah branch

1984

Commercial Bank staff numbers reach ninety, and an extension is built onto the original head office.

Arab Bank roundabout under construction

1988

Commercial Bank is the first to introduce Personal and Vehicle Loans in Qatar.

Staff at entrance to Ladies' Branch

1989

Commercial Bank opens the country's first Ladies' Branch, a full-service facility operated entirely by female staff.

1990

ATMs are introduced in Qatar by Commercial Bank.

1991

Commercial Bank acquires the Diners Club Franchise for Qatar and introduces the Crest card.

1992

Point-of-sale machines are introduced in Qatar by Commercial Bank.

1995

First Visa credit card is launched in Qatar by Commercial Bank.

1996

Commercial Bank launches a new savings plan – the first of its kind in Qatar – which gives direct access to world equity and bond markets through an alliance with Fidelity Investments.

1997

- Commercial Bank becomes the first licensed broker on the Doha Securities Market.
- Call centre is established.

Call Centre

1998

Tejari Guaranteed Fund, Commercial Bank's first investment fund, is launched.

2000

Qatar's first Internet home banking service, Bank Key, is launched by Commercial Bank.

2002

Commercial Bank is the first to launch pavilions, or mini-branches, in three shopping malls in Doha.

2004

Commercial Bank makes history as key sponsor of the Commercial Bank MotoGP (Grand Prix) Qatar.

2006

- Commercial Bank becomes the first Qatari bank to establish its presence in international capital markets on the London Stock Exchange. The investor base for the Bank expands to include foreign shareholders.
- Commercial Bank becomes title sponsor for the Qatar Masters golf tournament.

2008

Commercial Bank becomes the first Qatari company to list its shares (in the form of GDRs) on the London Stock Exchange.

London Stock Exchange listings ceremony

2010

Commercial Bank becomes the first Qatari bank to list bond issue on the SIX Swiss Exchange.

2011

Commercial Bank becomes the first bank in Qatar to be awarded the coveted PCI Card Security Certificate.

2012

Commercial Bank launches Future Leaders Programme in partnership with University of Cambridge.

Mr. Abdulla Saleh Al Raisi

2013

- Mr. Abdulla Saleh Al Raisi is appointed as Chief Executive Officer of Commercial Bank making him the first Qatari CEO to lead the Bank.
- Commercial Bank completes the acquisition of a majority stake in ABank , a full service bank in Turkey.
- The Bank announces a five-year exclusive partnership with Manchester United Football Club.
- Commercial Bank re-launches its Mobile Banking app, which rose to become Qatar's number one financial app.

2014

- Commercial Bank elects new Board of Directors led by Sh. Abdullah bin Ali bin Jabor Al Thani as Chairman of the Bank. With his election as Chairman, Sh. Abdullah is continuing the legacy of his father who was Commercial Bank's first elected Chairman.
- The Bank launches a "first of its kind" self-service card kiosk in Qatar.
- Commercial Bank adopts the International Bank Account Number (IBAN), a global standard protocol for identifying bank accounts.
- The Bank's Al Waseela fund wins the prestigious 'Qatar Equity Fund of the Year' award at the annual MENA Fund Manager Awards.

Sheikh Abdullah bin Ali bin Jabor Al Thani

CEO's Report

Mr. Abdulla Saleh Al Raisi

"Socially and economically, the State of Qatar has transformed itself over the past forty years. Commercial Bank's success story is Qatar's and we are honoured to have played an important part in Qatar's development, not only in its economic growth, but also by supporting the community at large."

Commercial Bank was incorporated in 1974 and so began our journey to becoming Qatar's leading private sector bank and one of the region's leading financial institutions. Our growth has reflected the significant progress of Qatar as a nation. Socially and economically, the State of Qatar has transformed itself over the past forty years. Commercial Bank's success story is Qatar's and we are honoured to have played an important part in Qatar's development, not only in its economic growth, but also by supporting the community at large.

Much of this success has been built on Commercial Bank's commitment to innovation which has allowed it to create new opportunities for itself and for its clients. Originally founded as a wholesale bank, Commercial Bank extended its strategy to focus on the growth potential of the retail sector, a strategy which continues to achieve our accomplishments. The introduction by Commercial Bank of personal loans and vehicle loans, a first for Qatar, fundamentally changed Qatari's relationship with lending and banking institutions, enabling Qataris to access financing far more easily and cost effectively. Commercial Bank was also the first bank to introduce credit and debit cards, ATMs and Qatar's first electronic point-of-sales equipment. All of these were not only firsts for Qatar, enabled by Commercial Bank's drive to innovate, but, they also helped to unlock ambition and vision, bringing greater prosperity to the nation.

At the outset of the year, and with the agreement of the Board, the executive team focused our strategy on a returns based approach to our markets. With the purchase of ABank in 2013, Commercial Bank has become a regional financial institution, together with its strong domestic home in Qatar and its affiliate partners in the UAE and Oman. 2014 focus has been on having the right assets in our portfolio of banking services, our determination to develop strong and lasting relationships with our customers, targeting appropriate returns across our businesses whilst ensuring that we have the right levels of funding to support our strategy. By doing so, we are building a platform which will generate long-term, sustainable returns for our shareholders.

To ensure we retained our market position in Qatar and pursued growth against pre-determined returns criteria, we worked hard during the year to improve our share of profitable government business. We also reviewed our wholesale private sector loan portfolio to improve our returns and to reduce concentration risk. Initiatives were established to increase our cross-sell capability and to increase our share of customers' business, all of which showed encouraging levels of success, which can be seen in our 2014 financial results. This is very much in line with our approach: the pursuit of sustainable and profitable revenue growth. In the course of re-balancing our portfolio, we have actively managed away assets and investments which no longer matched our return criteria, taking a longer term view to ensure that we have a portfolio to suit our strategy. We continued to invest in our Retail banking offer as this market offers good opportunity for growth; this has proved to be very successful and has helped to establish Commercial Bank as Qatar's leading retail banking brand.

During the year, we appointed a new management team in ABank, bringing in Ms. Meric Ulusahin as Chief Executive Officer. We have worked closely with the ABank team, aligning the business to our overall return focused strategy. The management team focused initially on rationalising the business and managing its cost base before focusing on new market opportunities, such as targeting the SME sector, which we believe offers significant growth potential for ABank. We continued to enhance our partnerships with our Alliance partners, United Arab Bank (UAB) of the UAE and National Bank of Oman (NBO) in Oman. To date, our partnerships with UAB and NBO have generated significant value for our shareholders. We intend to increasingly create other opportunities, which can be implemented across our service footprint, utilising best practice generated through our partnerships. Our position in the Turkish market means that Commercial Bank, UAB and NBO are now in a far better position to capture the growing trade and investment flows between Turkey and the Gulf region.

As part of our strategy, we implemented financing initiatives to ensure Commercial Bank has the appropriate level of funding. Consequently, we raised USD 1 billion in a syndicated term loan facility in addition to the issuance of USD 750 million of five-year senior unsecured Notes under Commercial Bank's USD 5 billion European Medium Term Note Programme. Both financings attracted significant orders from the market, indicating the strength of Commercial Bank's strategy and financial performance.

Commercial Bank announced a new board in March 2014 with H.E. Sheikh Abdullah bin Ali bin Jabor Al Thani – the son of the Bank's first Chairman – elected as Chairman and Mr. Hussain Alfardan – one of the founding members of the Bank – elected as Vice Chairman and Managing Director. We look forward to their valuable contribution in the years ahead.

A vibrant economy is essential to the development of Qatar and the pursuit of its National Vision. Commercial Bank has played, and continues to play, its role in generating the prosperity of the nation by continually innovating. As the non-hydrocarbon sector of the market continues to grow, Commercial Bank has the financial strength and ability to fund the growing level of entrepreneurialism across the nation.

We are also aware that our role cannot just be that of providing banking services. As a significant business in Qatar, Turkey and the owners of assets in the UAE and Oman, the Bank is committed to the sustainable growth of the countries and communities where it operates. As part of our wider social responsibility, we provided donations to fund organisations and charities which support those in need during the year. We also continued to invest in the sporting infrastructure of Qatar as a sponsor to some of the nation's main sporting events such as the Commercial Bank Qatar Masters and the Grand Prix of Qatar Moto GP.

Forty years ago, our journey began. Now, as Qatar's leading private sector bank and a regional banking business, we can look back at our history with pride at what has been achieved. Before we look forward to our future and its possibilities, we must stop and recognise the importance of our people. We have created an institution, but that institution was only made possible by the dedication and skills of the people who have worked at Commercial Bank since its incorporation. From our founders to our latest recruit, Commercial Bank has been built by the commitment and professionalism of its people. I believe we have a unique work environment, human relations and professionalism at Commercial Bank and it will be my job to ensure we retain this so that future generations of leaders and employees can continue to benefit from it.

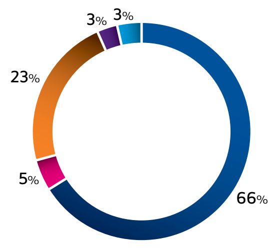
We have achieved much in the past forty years. I'm sure the next forty will be equally challenging and rewarding for the future of the bank, its shareholders, customers and employees.

Abdulla Saleh Al Raisi

Management Review of Operations

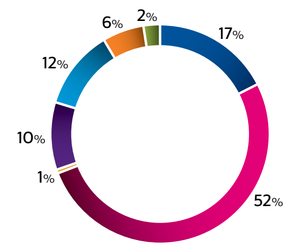
Financial Results

QAR million	2014	2013
Net interest income	2,581	2,188
Non-interest income	1,322	1,246
Net operating income	3,903	3,434
Operating expenses	(1,620)	(1,437)
Provisions for impairment losses	(673)	(714)
Share of results of associates	381	325
Income tax expense	(51)	(2)
Net profit for the year	**1,940**	**1,605**



Net Operating Income

- Net interest income
- Net fee income
- Other income
- Investment & dividend income
- Foreign exchange income



Shareholder's Equity

- Share capital
- Risk reserve
- Retained earnings
- Legal reserve
- Tier 1 Note
- Other reserves
- Proposed dividend

Commercial Bank's results for 2014 reflect another year of robust growth. Despite challenging economic conditions worldwide and continued strong competition in Qatar, we benefitted from the decision undertaken in the early part of the year to re-focus our strategy and the outcome was a solid annual performance. Commercial Bank's performance in 2014 demonstrates the Bank's ability to sustain progress in a challenging economic environment.

Financial Results

In 2014, the Bank delivered a net profit of QAR 1,940 million, an increase of 21% compared to the QAR 1,605 million achieved in 2013. Loans and advances to customers increased by 8.4% compared to 2013.

Loans and advances to customers were up 8.4% to QAR 72.5 billion at 31 December 2014, compared with QAR 66.9 billion at the end of 2013. The growth in lending in 2014 was generated mainly through credit growth in the Government, contracting, services, commercial and retail sectors. Commercial Bank's Turkish subsidiary Alternatif Bank A.S. (ABank) contributed QAR 13.1 billion of the total loans and advances.

Our deposit base decreased by 3%, to QAR 61.6 billion in 2014. The reduction in deposits was mainly due to a decrease in time deposits as the Bank received funds from the European Medium Term Notes (EMTN) issuances in June and July 2014. The Bank raised a total of USD 1 billion through EMTN issuances both through Commercial Bank and ABank respectively. These EMTN issuances were well received attracting substantial global interest with orders oversubscribed.

Partially offsetting the decrease in our deposit base was an increase in demand and savings balances. This reflects our strategy to ensure continued diversification of our funding base and our focus on growing low cost funds.

Net Operating Income

Commercial Bank's net operating income increased by 13.6% to QAR 3,902 million for the year ended 31 December 2014, up from the QAR 3,434 million achieved in 2013. ABank delivered net operating income of QAR 849 million.

Net interest income was at QAR 2,581 million for the year ended 31 December 2014, 18% higher than 2013, reflecting strong growth in lending activities particularly in the Government, Services, Personal and Contracting sectors. ABank contributed QAR 638 million, 25% of the total net interest income. Net interest margin was stable 2.7%. Our associates, United Arab Bank and National Bank of Oman, delivered another strong performance with combined profitability up 17% compared to 2013.

Non-interest income was up 6.1% to QAR 1,322 million for 2014 compared with QAR 1,246 million in 2013, with ABank contributing QAR 211 million. The overall increase in non-interest income was due to higher net fee and commission income and was partially offset by lower income from investment securities and foreign exchange.

Operating Expenses

Total operating expenses were up 13% to QAR 1,620 million in 2014 compared with QAR 1,437 million in 2013, due to an increase in the amount of ABank expenses. Reported total operating expenses include ABank's QAR 462 million of expenses absorbed for the full year 2014 as compared to half year in 2013. However, the cost income ratio improved from 38.2% in 2013 to 37.8% in 2014.

Provisions for Impairment Losses

The Bank's net provisions for impairment losses increased to QAR 673 million in 2014 compared with QAR 714 million in 2013, comprising provisions of QAR 623 million for loans and advances, due to higher loan loss provisioning, and QAR 50 million for financial investments. As a result, the non-performing loan ratio increased from 3.6%% in 2013 to 3.8% in 2014, which resulted in a coverage ratio of 74% in 2014.

The Bank sets aside a risk reserve against its lending as part of shareholders' equity.

At 31 December 2014, the risk reserve was QAR 1,709 million, meeting the minimum level set by the Qatar Central Bank for the end of 2014.

Impairment provisions on the Bank's investment portfolio decreased to QAR 50 million for the year ended 31 December 2014 compared with QAR 110 million during the same period in 2013, reflecting a general rise in the valuations of certain emerging market equities and currency fluctuation.

Total Assets and Funding

Commercial Bank delivered balance sheet growth of 2.3% in 2014, with total assets at QAR 116 billion compared to QAR 113 billion in 2013, which includes QAR 18 billion from ABank. Balance sheet growth was driven by QAR 6 billion in lending to customers partly offset by a decrease of QAR 3.1 billion in investment securities.

Investment securities decreased to QAR 11.6 billion at 31 December 2014, 21% lower than at the end of December 2013. ABank contributed QAR 1.4 billion of this amount. The decrease since the end of 2013 reflects the maturity and sale of Government bonds.

Customers' deposits decreased by 3% to QAR 62 billion at 31 December 2014, compared with QAR 63 billion in 2013, with ABank contributing QAR 8.5 billion of total customer deposits.

In June 2014, Commercial Bank announced the successful pricing and closure of an issuance of USD 750 million 5-year senior unsecured notes under its USD 5 billion European Medium Term Note ("EMTN") programme. The EMTN issuance was oversubscribed more than four times and the spread was the tightest achieved by a Qatari five year US dollar issuance since 2007. Half the participants were new investors and the net proceeds of the issue are for general funding purposes to support the strategic growth plans of the Bank.

In July 2014 ABank marked a milestone in its history by issuing its debut 5 years Eurobond in international Debt Capital Markets. The USD 250 million Eurobond was guaranteed by its parent, Commercial Bank of Qatar and achieved a competitive pricing in the Turkish Eurobond market.

Capital

Commercial Bank's capital position remains strong with a capital adequacy ratio of 15.2% as at 31 December 2014 compared with 14.1% at the end of 2013, which is well above the Qatar Central Bank's required minimum level of 12.5%. The 2014 ratio is based on Basel III guidelines whereas the 2013 ratio is based on Basel II guidelines.

The Board of Directors is recommending, for approval at the Annual General Assembly, the distribution of a cash dividend payout of QAR 3.5 per share and the issuance of one bonus share for every ten shares held.

Associates and Subsidiaries

AlternatifBank

AlternatifBank (ABank) delivered a net profit of TL 139 million for the year ended 31 December 2014 despite challenging market conditions, with total assets of TL 11.3 billion and lending of TL 8.4 billion.

ABank provides its customers in the corporate, commercial and retail banking segments with high value products, services and solutions. It aims to fully service SMEs which it believes are the main driver of the Turkish economy. ABank has 73 branches widely distributed around Turkey. Through its branch network, ABank has direct access to the regions in Turkey where 85% of the country's GDP is generated. In 2014, ABank continued to work closely with its counterparts in Commercial Bank to implement best international practice and continue to realise synergies. The new management team of ABank was strengthened in 2014 with the addition of a new Chief Executive Officer, Chief Financial Officer and Chief Risk Officer.

National Bank of Oman

National Bank of Oman (NBO) achieved strong results in 2014, with net profit after tax growing 22% to OMR 50 million, compared with OMR 41 million in 2013. Operating income grew by OMR 10 million to OMR 114 million, from OMR 104 million in 2013, mainly due to an increase in net interest income which was up 8% to OMR 81 million.

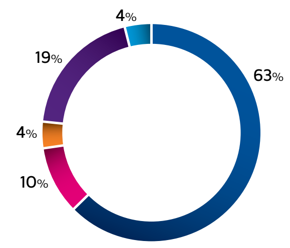
During 2014, NBO grew its customer lending by 12% to OMR 2.3 billion and customers' deposits reduced marginally to OMR 2.2 billion compared to 2013.

Operating Expenses

QAR million	2014	2013
Staff costs	832	685
General and administrative expenses	592	609
Depreciation	196	144
Total operating expenses	**1,620**	**1,437**

Provisions for Impairment Losses

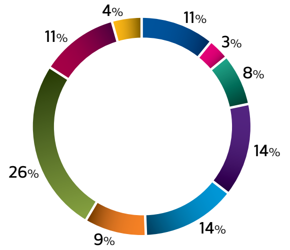
QAR million	2014	2013
Net provisions for impairment on loans and advances	623	604
Impairment losses on financial investments	50	110
Total provisions for impairment losses	**673**	**714**



Total Assets

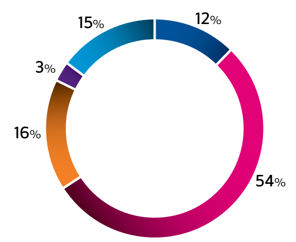
- Loans
- Investments
- Investments in associates
- Liquid assets
- Other assets

Management Review of Operations continued



Loans and Advances

- Government
- Industry
- Services
- Real estate
- Other
- Gov. & semi-gov. agencies
- Commercial
- Contracting
- Consumption



Funding Mix

- Due to banks & financial institutions
- Other borrowed funds
- Shareholder's funds
- Customer's deposits
- Other liabilities

United Arab Bank

United Arab Bank (UAB) delivered a record net profit of AED 605 million for the year ended 31 December 2014 which represents an increase of 10% over the 2013 results of AED 552 million. The total operating income for the year ended 31 December 2014 increased by 32% to AED 1,373 million, from AED 1,039 million for 2013. UAB's loans and advances grew 17% to AED 17.9 billion as at 31 December 2014, with customers' deposits at AED 18.7 billion.

Commercial Bank Investment Services

Commercial Bank Investment Services (CBIS) is a fully owned subsidiary of Commercial Bank. CBIS provides direct access to the Qatar Exchange and offers seamless online trading capabilities for individuals, institutions, corporate and foreign counter parties. In addition to its electronic trading platform, CBIS is also licensed by Qatar Financial Markets Authority to act as Liquidity Provider for certain securities at Qatar Exchange.

In 2014, CBIS delivered a net profit of QAR 19.3 million as compared to QAR 1.4 million in the previous year.

Massoun Insurance Services L.L.C.

Massoun Insurance Services is a Qatari incorporated joint venture company between Commercial Bank and Qatar Insurance Company. The company was incorporated in 2010 and provides a range of insurance products which have been tailored to meet the specific needs of the Bank's retail and corporate customers.

Orient 1 Limited

Orient 1 is a fully owned subsidiary of the Bank incorporated in Bermuda and is engaged in supporting the credit card operations of the Diners Club franchise in the Sultanate of Oman.

Global Card Services L.L.C.

Global Card Services is a limited liability company registered in the Sultanate of Oman. The principal activities of the Company are to issue Diners Club credit cards in the Sultanate of Oman and to acquire merchant rights and other related services.

CBQ Finance Limited

CBQ Finance limited is an exempt company with limited liability incorporated in Bermuda under the Companies Act 1981. The company is organised as a special purpose entity and has been established to raise capital for the Commercial Bank of Qatar by issue of debt instruments.

Wholesale Banking

Commercial Bank's Wholesale Banking business offers a comprehensive range of financial services to corporate businesses in Qatar, international companies trading or implementing projects in Qatar, and corporate relationships across the Bank's markets of strategic focus in the GCC and Turkey. These services include commercial banking, treasury, investment banking, cash management, trade, transaction banking, corporate finance and advisory services. Wholesale Banking works very closely with Retail Banking, through the successful 'Banking at Work' unit where a key strategic focus has been to enhance the Total Relationship Value for each customer across all business portfolios.

Commercial Bank EMTN team that embarked on a roadshow to meet global investors

Business Performance

In 2014, Commercial Bank's Wholesale Banking business represented approximately 68% of the total loan book of the Bank, and generated around 43% of the total Bank revenues. The Wholesale Banking department was reorganised in late 2014 into domestic and international business lines, and covered the following sectors: large corporates, mid-market corporates, contracting, Government and public sector, transaction banking, structured finance and international banking which includes financial institutions. Wholesale Banking generated a significant portion of the Bank's customer deposits – both domestic and non-resident, and the Financial Institutions business line also raised medium-term loan funding from worldwide banks and financial institutions.

During the year, Wholesale Banking formed new corporate relationships and achieved loan portfolio growth despite restrained market conditions of slow loan growth from the private sector in Qatar. Loans and advances to customers increased by 5% to QAR 42.3 billion, mainly in trade finance, services, contracting, commercial and real estate sectors. Net interest income remained flat at QAR 1.59 billion as a result of competitive pricing pressures in the market place, which led to a reduction in yields. The international business line at the Bank continues to be an important area of growth and income diversification, with revenue growth of around 21% in 2014, primarily from trade-related lending and corporate lending in the GCC and Turkey.

Fee income at QAR 338 million showed a small decrease in 2014. Overall asset quality continues to be satisfactory. The non-performing book is adequately provisioned, and some large exposures are further supported by income generating tenanted properties, whose market valuations and rental yields are improving due to continued local demand for quality residential properties.

Commercial Bank was active in the arranging of large financings in the regional syndicated and club loan markets, and was associated with the following successful transactions:

- Mandated Lead Arranger, Facility Agent and Account Bank, for a USD 320 million long-term Syndicated Loan Facility for Alfardan Hotel and Resorts, Qatar;
- Lead Arranger and Book Runner for a USD 210 million Short-Term Revolving Loan Facility for United Development Company, Qatar;
- Mandated Lead Arranger for a USD 500 million Term Loan Facility for ICBCIL Finance Co. Limited, China;
- Mandated Lead Arranger for a USD 284 million and Euro 212 million Term Loan Facility Agreement for Ulker Biskuvi Sanayi AS, Turkey;
- Arranger and Global Facility Agent for a Loan Facility up to USD 120 million for Kiler Alsveris Hizmetleri Gida Sanayi ve Ticaret AS, Turkey;
- Coordinator, Initial Mandated Lead Arranger and Bookrunner for a USD 189.5 million and Euro 114 million Dual Tranche and Dual Currency Syndicated Loan Facility for Alternatifbank A.S., Turkey;
- Lender for a USD 173 million Term Loan Facility to re-finance retail development relating to 'The Pearl Qatar' for United Development Company, Qatar; and
- Mandated Lead Arranger, Facility and Security Agent for a QAR1 Billion Syndicated Loan Facility for Joannou & Parakskevaides (Overseas) Limited.

Associates

QAR million	2014	2013
National Bank of Oman	166	131
United Arab Bank	212	191
Asteco Qatar W.L.L.	0	0
Massoun Insurance Services L.L.C.	3	3
Share of results of associates	**381**	**325**

Business Unit Review

QAR million	2014	2013
Corporate Banking	1,915	2,020
Retail Banking	1,084	915
Subsidiaries	881	445
Other	22	54
Net operating income	**3,902**	**3,434**

Commercial Bank team that attended the 2014 IMF and World Bank Group Annual Meetings in Washington DC

Management Review of Operations continued

In 2014, Commercial Bank also closed other large bilateral financings in Qatar with a total value exceeding QAR 2.75 billion (USD 758 million). In other areas of the business, Commercial Bank secured the dividend distribution mandate for Mesaieed Petrochemical Holding Co. for 3 years, and played an important role in the overall debt restructuring of Dubai Group, as secretary of the financier committee.

In mid-February 2014, the Bank closed a very successful two tranche syndicated term loan facility of USD 1 billion. Originally launched at the end of 2013 at a target size of USD 600 million, the loan received total commitments of USD 1.285 billion and the size of the facility was subsequently increased to USD 1 billion. The size of the facility, pricing, diverse group of leading lender banks and large oversubscription demonstrates the strong credit standing of Commercial Bank in global debt markets.

Domestic Corporate Banking

Domestic Corporate Banking provides a comprehensive range of cross-product banking solutions to corporate clients operating in Qatar. This unit services client relationships across the following sectors: large corporates, mid-market corporates, contracting, Government and public sector. Private sector business growth remained subdued in the first half of the year, but the second half of 2014 saw an encouraging pick up in the awarding of large infrastructure projects, and a broad-based uplift in secondary activities with sub-contractors, traders and retailers.

Domestic Corporate Banking's strategy is to strengthen relationships and grow market share of customer value chains in our chosen market space of general trade, services and contracting, with increased relationship profitability and margins. Our focus is developing and assisting our long standing client base, as well as bringing in new to bank customers. There was a pick up in large financings, and Commercial Bank was an active and successful player in this space.

As the second largest Qatari bank, Government and public sector relationships are strategically important for Commercial Bank. In 2014, loans and advances to this sector recorded strong growth of 32%, owed to higher drawings towards the end of the financial year. This sector also contributed 39% towards the entire Bank's liability book. Commercial Bank continues to be a major trade bank for many public sector companies.

Transaction Banking

Enhancement of Transaction Banking capabilities and services continued to be an important goal in 2014, and its resources were strengthened during the year. Key focus areas were product development and marketing of trade finance, cash management and corporate internet banking solutions. Trade transaction volumes saw a robust growth increasing 15% from QAR 20.0 billion in 2013 to QAR 23.0 billion in 2014, representing about 14% market share of letters of credit and letters of guarantee generated from Qatar.

On the technology front, Commercial Bank was confirmed as SWIFT SCORE enabled, and has started engaging with Qatar Petroleum as its first customer on this platform. Commercial Bank also worked with several public sector customers to become host-to-host enabled, allowing straight-through-processing from the corporate enterprise resource planning to Commercial Bank.

In cash management and funds transfer services, Commercial Bank maintained its record of providing superior service quality and consistently achieving high performance.

International Banking

The International Banking unit at Commercial Bank is responsible for relationships and commercial business with global financial institutions and corporate clients outside Qatar. In 2014, the international corporate loan portfolio grew by 22%, with strong growth in trade finance-related lending and corporate lending in the UAE, Turkey and select markets in the GCC. The trade finance-related non-funded book also recorded 16% growth during the year.

Commercial Bank's cross-border business strategy remains conservative and focused on diversification of portfolio and revenues from trade finance, bank risks and relationships with large corporates in the GCC region and Turkey. The lower risk and mostly short-term trade finance book has substantially grown. There has been good progress to date, and financial results from initiatives to align strategy and collaborate more closely on trade finance and the other cross-border business activities of Commercial Bank and its Alliance bank partners – ABank in Turkey, United Arab Bank in the UAE and National Bank of Oman in Oman.

Following the acquisition of ABank in 2013, Turkey continues to be a strategic focus. Trade loans to financial institutions and relationships with large diversified corporate groups in Turkey have expanded. The Bank also actively participates in trade finance transactions for financial institutions in countries with large and growing trade and investment links with Qatar and the GCC. The Bank works closely with its Alliance Bank partners to exploit quality lending opportunities throughout the GCC and to implement a coordinated group financial institutions strategy, in line with shared business objectives.

Wholesale Banking's Financial Institutions unit also supports the Bank's Treasury department in diversifying the Bank's funding, by arranging bilateral and syndicated loans for the Bank, and expanding treasury and corporate deposit relationships with regional sovereign wealth funds, asset managers, and other non-banking financial institutions.

Wholesale Banking continued to actively support initiatives that are relevant to the Qatari and GCC banking sector. In 2014, the Bank sponsored or participated in several major banking industry events and conferences. These included:

- Lead Sponsor of The Euromoney Qatar Conference held in Doha, Qatar;
- The Annual Meetings of the IMF and the IIF where Commercial Bank was joined by its Alliance bank partners;
- The Annual Meetings of the Asian Development Bank in Kazakhstan;
- SIBOS – Boston, a major industry event for banks and financial institutions across the world,and;
- A Qatar Central Bank-led banking delegation to China and Korea.

Commercial Bank supports global trade and development institutions such as the ICC Banking Commission, SWIFT, Institute of International Finance, International Finance Corporation, IMF, Arab Trade Finance Program, ISDA and other development institutions.

Retail and Enterprise Banking

Commercial Bank's Retail Banking business offers a comprehensive suite of products to its customers, including deposits and loans, credit cards, insurance and wealth management solutions. A customer centric approach is at the core of Retail Banking, through products and services tailored to meet or exceed customers' needs.

Technology has been a major driver of change and customer behaviour continued to gravitate towards the use of digital platforms allowing customers more flexibility to handle their basic banking requirements, particularly through online and mobile applications. In 2014, Retail Banking continued to build its customer base by enhancing the core products offered by the Bank, as well as introducing market leading and innovative products and services that better suit the requirements of its loyal customers.

Business Performance

Retail Banking continued to deliver a strong core business performance in 2014, achieving record numbers across all metrics. Lending to customers grew by 28% to QAR 17.3 billion excluding Enterprise Banking (2013 – 16% to QAR 13.8 billion) or grew by 29% to a total of QAR 18,402 including Enterprise Banking. Deposits grew by 2%, to a total of QAR 13.56 billion excluding Enterprise Banking (2013 – QAR 15.3 billion) or grew by 6.2% to a total of QAR 16.96 billion including Enterprise Banking. Net operating income increased by approximately QAR 300 million with net interest income 67% (includes fund transfer pricing) higher than 2013, despite margin pressures, increased competition in the market and regulatory restrictions on banking fees and interest rates.

Retail Banking exhibited consistency in its strategic objectives, experiencing a 29% growth of new salaried customers in 2014 through an ongoing focused acquisition and sales strategy. The acquisition strategy also resulted in over 32,000 new credit cards being issued during the year, a 16% uplift over 2013.

The continued increase in revenues reflects Retail Banking's focus on cost and margins by effective management and launching intelligent and targeted products and sales campaigns. This was evident with net interest margins consistently maintained throughout 2014.

Commercial Bank launched a "first of its kind" in Qatar self-service card kiosk in 2014

Commercial Bank organised the first ever Manchester United Soccer Camp in Qatar

Management Review of Operations continued

Strategic Initiatives in 2014

Continuing to build on its past success, Retail Banking further developed and enhanced its products and service propositions throughout 2014 to strengthen the Bank's offering and to meet the changing needs of customers. This continuous focus on new products, services and marketing initiatives resulted in significant growth for the Bank, particularly in assets whereby the mortgage portfolio increased by almost 30% and new campaigns drove a strong performance in the broader consumer lending portfolios, both Personal and Vehicle Loans. A strong focus on catering for high net worth customers and the needs of the local Qatari market resulted in the launch of high profile campaigns such as the Sadara Privileged Banking campaign, and an exclusive first ever campaign in celebration of Qatar National Day for our Qatari customers, resulting in a 26% increase in Qatari customer acquisition.

In line with Retail Banking's ongoing priority to balance its portfolio, self-fund and ensure lower volatility on its deposit balances, a number of new products were launched to encourage customers to lock deposits in for longer periods, and in turn ensure these customers benefit from the Bank's highest guaranteed rates. Innovation continued with the launch of new products, such as the Al'an account, and special Eid deposit campaigns. These products are particularly targeted at our premium segments, once again recognising the importance of meeting the needs the local market. The new Elite Bonus Saver, launched in January 2014, has been designed exclusively for our Sadara and Private Banking customers and has proved to be extremely popular, delivering exceptional growth in 2014 of over QAR 1 billion.

Cards

2014 continued to see Commercial Bank's Cards and Payments division make excellent progress in the payments field, not only in the growth of its business, but also in the launch of innovative new products and services that were first to market in Qatar.

Commercial Bank continued to offer market leading credit card products, backed by consistent top quality service, and this was reflected in a growth rate in credit card spending of over 35% over what was achieved in 2013. Cards and Payments also launched a new Visa Infinite credit card for our Sadara Privileged Banking customers, which comes with a host of top quality benefits, including complimentary access to the Harrods Black tier membership programme entitling customers to discounts and offers at Harrods, as well as a number of other market leading benefits, such as access to our FlyMiles loyalty programme. Sadara Privileged Banking is an exclusive banking service provided by Commercial Bank designed to give customers a premier banking experience. Being a Sadara member means access to a dedicated relationship manager, preferential products and prices, entitlement to unique benefits and exclusive offers on shopping, dining and travelling.

Our Manchester United credit card programme launched in 2013 has surpassed all expectations, and a number of unique customer activities took place during 2014 allowing Commercial Bank customers to enjoy priceless Manchester United experiences and events. These included all-expense paid trips to Old Trafford in Manchester, UK, to watch live games, and the opportunity to participate in the first ever Manchester United Soccer Camp held in Doha, Qatar, attended by more 160 children aged between seven and sixteen years old.

Commercial Bank also announced a partnership with Alfardan Exchange and launched the market's first Travel Pre-Paid card, enabling customers to purchase up to five different foreign currencies and upload them on the card for overseas travel. The card is designed to reflect the most popular destinations of our customers, enabling them to access these funds through their card anywhere Visa is accepted, avoiding the need for customers to carry large amounts of cash. This product was the first of its kind across the Middle East region, in conjunction with Visa.

Furthermore, Commercial Bank launched its Instant Card Delivery Kiosk, enabling our new credit and debit card customers to receive their activated cards through a self-service kiosk, rather than having to wait for their cards to be delivered to their PO Box or a branch. In addition, Commercial Bank also launched 3D Secure, which give its debit card and credit card customers the opportunity to shop more securely online. These innovations continue to demonstrate the importance Commercial Bank places on offering the best products and services to meet its customers growing needs.

Vehicle Finance

Commercial Bank has a leading position in the vehicle finance market in Qatar. Initiatives to enhance the Bank's offering during the year included special campaign collaborations with leading authorised car dealers. These campaigns included a Ramadan campaign offering customers special discounted rates for vehicle loans, insurance coverage, and unique car packaging benefits.

Life in Qatar

Retail Banking's market leading and first to market innovation 'Life In Qatar', continued to move from strength to strength in 2014. Tailored specifically for people moving to Qatar it provides ease and convenience for those relocating, and has already helped over 15,000 customers from over 80 different countries worldwide. The 'Life in Qatar' website alone, filled with useful information, facts, articles and phone numbers, has 30,000 visitors every month and the site itself ranks No. 1 in digital searches. By anticipating future population growth in Qatar, which will include many professional expatriates, the 'Life in Qatar' proposition remains a key strategic priority as a growth engine for Retail Banking.

Wealth Segments

Private Banking recognises the importance of catering to its valued high net worth customers by identifying new revenue streams, particularly related to mortgage finance and wealth management. During the year, Private Banking strengthened its strategy and delivered exceptional results by enhancing its tailored offering, improving customer service and expanding the team. The Private Banking team is well equipped to offer bespoke banking and investment solutions for the Bank's select client base. In addition, the Sadara Privileged Banking team expanded with an enhanced proposition of tailored products and services.

Internet and Mobile Banking

Digital innovation and customer migration to convenient, faster and more cost effective electronic channels were a strategic priority for Retail Banking in 2014, as customers increasingly choose to use the Bank's digital banking services. The year has seen the business achieve a significant number of successes and key milestones in transforming the way it does business with a 25% reduction in customers using branches. An innovative automated registration service has assisted over 75% of Retail Banking's customer base in registering to digital channels, which in turn has seen a steep incline in the number of customers actively using these channels.

The Bank continued to invest in enhancing services available online, recognising the technological shift in banking as well as to stay abreast of future trends. Our market leading offer through online channels has driven high customer satisfaction scores for both Internet Banking, and our cutting edge Mobile App (launched in 2013) exceeds equivalent offers provided by our competitors. Through extensive automation of processes, not only has the cost to serve customers been actively reduced, but the business has delivered a superior customer experience for both account opening and personal loan disbursements.

Commercial Bank has been ranked the No. 1 bank in digital marketing by leading the way in online search and advertising, and also ranked as Qatar's most engaging financial brand on social media over the last two years, with over half of Qatar's entire population visiting Commercial Bank's sites in 2014.

Operational Processes

Commercial Bank enhanced its lending process with an end-to-end automation system allowing for a quicker and cost efficient lending programme. In addition, improvements in the branch network included an enhancement of all teller systems, helping to significantly improve servicing time for customers at branches and the customer experience.

Commercial Bank's market-leading Mobile Banking app

Commercial Bank officials formally inaugurated the redesigned City Center Mall branch

The implementation of these technological improvements is a demonstration of the Bank's recognition of the ongoing use of technology in banking and its commitment to delivering a superior customer experience.

Branch Networks

Commercial Bank aligns itself with Qatar's demographics by providing convenient access to its network of 29 branches across the country. Through the branch network, the Bank continuously supports Qatar's growing population needs while ensuring the highest standards of service are always within reach for our customers.

Commercial Bank has also taken a series of steps to rationalise its branch network in line with the changing landscape of the country. Rationalisation included the closure of the West Bay Corporate branch and conversion of the Salwa Retail Branch to a Corporate branch to cater specifically to our growing Enterprise and Corporate customer base by providing easy access to customers' place of operations.

The branch network is supplemented by 152 ATMs that are strategically located around Qatar to ensure optimum usage of the network by customers. In line with the ongoing branch rationalisation strategy,

Management Review of Operations continued

ATMs were simultaneously reorganised with the removal of non-profitable ATMs and the addition of new ATMs at higher segment footfall locations, notably Hamad International Airport, Grand Mall and Lulu Barwa City. As part of the Bank's phased rebranding exercise, by the end of 2014 over 60% of ATMs were rebranded with Commercial Bank's unique brand architecture.

Enterprise Banking

Commercial Bank supports economic diversity and sustainability in Qatar, and places significant importance on developing the small and medium enterprise (SME) sector in line with the National Vision 2030, which identifies SMEs as a key constituent of the country's economic diversification and future. This commitment is demonstrated by our Enterprise Banking department which focuses on this core sector nurturing Qatar's entrepreneurial business community to grow. Through Enterprise Banking, we also partner with Qatar Development Bank's 'Al Dhameen' programme, which extends investment and working capital facilities to economically-viable SMEs and makes credit more accessible.

Enterprise Banking continued to expand its comprehensive range of products and value-added services to support SMEs in 2014.

As part of the Bank's strategic objective to enhance customer service and increase operational efficiency to our large Enterprise customer base, the Bank centralised its dedicated Enterprise customer relationship managers at Umm Lekhba. The highly specialised team, supported by a strong independent operation and credit teams setup, advises existing and potential entrepreneurs on:

- Working capital finance and term lending;
- Trade finance facilities;
- Deposits, remittances, insurance and treasury solutions;
- Retail solutions for employees;
- Business technology solutions; and
- Access to advisory and mentoring services.

Customers can also benefit from 24 hour customer contact centres and the Bank's corporate branch network. The Bank's support for the growth of the SME sector is evident from the contribution of the Enterprise business to the Bank. The Enterprise asset portfolio grew by an impressive 44% in 2014, with liabilities growing by 31% over the previous year.

Enterprise Banking further leveraged on the Bank's technological advancements by actively introducing its customers to alternative banking channels. These included corporate internet banking, direct deposit cards and cheque deposit boxes, enabling customers to bank efficiently, conveniently and safely while focusing on growing their businesses.

Technology Partnerships

Commercial Bank's Enterprise services also include a range of business technology solutions, provided through the Bank's exclusive partnership with MEEZA, a Qatar Foundation Joint Venture. The suite of product solutions include cloud technology for email, web hosting and SharePoint services, as well as HR and payroll solutions enabling Enterprise customers to focus on their business growth. Since launch, over 2,000 Enterprise customers, compared to 450 in 2013, have embraced this technology solution that delivers a comprehensive package including a high quality product, superior level of service and professional training.

Education and Training

Commercial Bank places significant importance on supporting SMEs by providing education and training to help them grow. In 2014, the Bank continued to host a series of customer workshops for its Enterprise Banking customers providing tools and solutions for better banking and enables clients to grow their businesses. The workshops also provide a platform for Enterprise Banking customers to meet and discuss topical matters with their peers, generating new ideas to benefit their business and providing them with comprehensive banking and technology solutions.

Treasury and Financial Markets

Commercial Bank's Treasury department manages the funding and liquidity requirements of the Bank. This includes management of operational and strategic liquidity requirements, as well as accessing the debt markets to lock in funding via debt issuance or via institutional funding. Proactive management allows the Bank to manage its funding base in a cost-efficient manner while ensuring the balance sheet is managed in accordance with the expectations of rating agencies, regulators, the Board of Directors and shareholders. Treasury has been instrumental in reducing the Bank's cost of funds during 2014 and continued to focus on balance sheet optimisation and liquidity management, as well as maintaining key liquidity ratios and related business regulatory ratios well above the minimum required by the Qatar Central Bank.

The Treasury Sales unit provides a full suite of products to the Bank's customers, facilitating client needs with regards to managing and hedging their foreign exchange and interest rate exposures. Commercial Bank Treasury and Financial Markets continues to grow its footprint as a leading market-maker in the GCC fixed income, treasury securities and FX markets, and in providing market access to corporate and institutions. In 2014, Commercial Bank was directly responsible for distributing 65.89% of the total value of QAR bonds and bills volume traded on the Qatar Exchange.

Trading and fixed income activity has continued to provide strong revenue generation in 2014, as well as to act as a liquid buffer for the Bank. In 2015 the goal will be to maintain momentum in the expected rising interest rate environment since the emphasis is now more on shorter duration instruments and asset swaps as a means to mitigate risks via hedging.

Risk Management

Managing financial risks is a fundamental part of Commercial Bank's business activities. The awareness of risk encompasses every aspect of our business and is seen as the responsibility of each and every member of the Bank. Our risk management practices are well embedded and are cascaded down from the Board of Directors, Board-level Committees, Management-level Committees, Executive Management and employees. Accurate, reliable and timely information is vital to support decisions regarding risk management at all levels at the Bank.

During 2014, Commercial Bank further strengthened its risk management processes through progressing the credit and risk evaluation solution which will further strengthen the banks credit and risk management functions. The Bank integrated risk based returns methodology for portfolio management and balance sheet optimisation, introduced economic capital approach for capital efficiency, strengthened operational risk management capabilities through up gradation of the Operational Risk Management (ORM) system, and implemented a sophisticated market risk management solution to support treasury business while effectively managing the associated market risk. In 2015, Commercial Bank will continue to employ clear risk management objectives and well-established strategies through core risk management processes.

Risk Management Framework

Commercial Bank uses an integrated risk management framework to identify, assess, manage and report risks and risk-adjusted returns on a consistent and reliable basis. This framework requires each business to manage the outcome of its risk-taking activities.

The Risk Management department provides expertise and oversight for business risk-taking activities. The department develops and maintains an aligned and integrated framework, policies and procedures for risk management and ensures they are embedded and used as part of the day-to-day management of the business. Risk Management also measures risk exposures to support risk decisions by business owners and also to make certain market and credit risk decisions under approved delegations of authority. In particular, it undertakes quantitative and qualitative analysis of credit exposures originated by the business as part of its responsibility for credit rating and decision-making.

Commercial Bank is potentially exposed to four principal categories of risk: Credit, Operational, Market and Funding.

Credit Risk

Commercial Bank has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks decisions, with specific portfolio standards applying to all major lending areas. These incorporate obligor quality, income/repayment capacity and identified sources, acceptable terms and security, and loan documentation tests.

The Bank assesses the integrity and ability of debtors or counterparties to meet their contracted financial obligations for repayment. Collateral security, in the form of real estate or a charge over income or assets, is generally taken for business credit except for major Government, bank and corporate counterparties that are externally risk-rated and of strong financial standing.

Operational Risk

Operational risk is defined as the risk of economic loss arising from inadequate or failed internal processes, people, systems, or from external events. It includes legal, regulatory, fraud, business continuity and technology risks.

The ORM department supports the achievement of Commercial Bank's financial and business goals. ORM manages operational risk using industry standard operational risk tools and its objectives are as follows:

- Maintenance of an effective internal control environment and system of internal control;
- Demonstration of effective governance, including a consistent approach to operational risk management across the Bank;
- Transparency, escalation and resolution of risk and control incidents and issues.

Market Risk

Market Risk, the potential loss in value or earnings arising from changes in market factors is managed by the Bank's Market Risk Department with full oversight by the Asset and Liability Committee (ALCO), which provides specific guidelines for market risk management.

Commercial Bank uses Value-at-Risk (VaR) as one of the measures for market risk. VaR measures potential loss using historically observed market volatility. Stressed VaR is used at the Bank to measure the potential for economic loss from extreme market events. For assessing interest rate risk, metrics include earnings-at-risk (EaR), price value for a 01 change in yield (PV01) and economic value of equity (EVE).

The results of these measures are reported to the ALCO and the Management Risk Committee on a regular basis.

Liquidity and Funding Management

Commercial Bank follows a Balanced Liquidity Management Strategy through the combined use of liquid assets holdings and borrowed liquidity to meet its liquidity needs. The bank's funding policies provide that:

- Liquidity requirements be measured using a number of approaches, including, sources and uses, structure of funds and liquidity indicators;
- A minimum level of assets is retained in highly liquid form;
- The level of liquid assets complies with stressed scenario assumptions to provide for the risk of the Bank's committed but undrawn lending obligations;
- Establishment of credit lines.

Board Risk Committees

The two Board Committees which have primary responsibility and oversight for Risk are:

1. The Board Risk Committee (BRC) is responsible for all aspects of enterprise-wide risk management including, but not limited to, credit risk, market risk, liquidity risk and operational risk. The BRC reviews policy on all risk issues and maintains oversight of all Bank risks.

Management Review of Operations continued

2. The Board Executive Committee (BEC) is responsible for evaluating and granting credit facilities within authorised limits as per Qatar Central Bank and Board guidelines. The BEC also reviews strategy on recovery of Special Asset relationships, reviews and approves all credit proposals (other than off-the-shelf products) relating to political figures and persons in ministerial posts, within the Risk Delegation of Authority, and approves credit facilities with tenor above 8 years.

In addition, specific risk-focused management committees (Management Risk Committee, Asset and Liability and Special Assets Management) convene on a quarterly basis at minimum. The Board of Directors or their sub-committees are regularly updated on any ensuing risks that the Bank may face.

Commercial Bank staff participated in Qatar's biggest ever selfie on National Day

Risk Management continues to be very well positioned to manage risk resulting from the increasing sophistication, scope and diversity of the Bank's business and operations. Risk Management has dedicated teams, underlining Commercial Bank's commitment to a strong risk governance and management framework. In 2015, the Bank will continue to enhance its internal controls and improved various processes in all areas of risk management.

The Bank is also in compliance with the provisions of the Basel II framework and is following the Basel III implementation directive as advised by the Qatar Central Bank. In summary, the governance framework, policies and administrative procedures and practices relating to risk management in Commercial Bank align well with global best practice, the recommendations of the Basel Committee, and the guidelines of the Qatar Central Bank.

Marketing

Commercial Bank's Marketing Department is responsible for the Bank's reputation, brand identity and ongoing communications with the Bank's existing and potential customer base through both traditional and digital media channels. Marketing works closely with the Bank's main business lines and support functions to develop integrated marketing campaigns targeting different customer segments with diverse products and services, based on ongoing research, consumer insight and return on investment analysis. Marketing also runs the Bank's sponsorships and key events, as well as its Corporate Social Responsibility (CSR) programme.

As Qatar's second largest full service bank, and largest private bank, the Bank regards CSR as integral to its business, and for the past 40 years has been committed to supporting Qatar in a holistic manner by serving the overall community through CSR programmes and sponsorship of events that build Qatar's international reputation. Commercial Bank's Marketing Department is responsible for formulating, implementing and promoting the Bank's comprehensive range of CSR programmes providing financial, practical, humanitarian and skills-based support to the Qatari community.

Committed to the Qatari Community

Commercial Bank believes that CSR is most effective and credible when CSR activities are relevant to an organisation's expertise and can legitimately be seen to make a difference within a chosen field. Our approach to CSR is to invest heavily in the Qatari community and engage with all segments of Qatari society. As a Qatari Bank, we are ourselves part of the Qatari community and we operate in this field every day.

Commercial Bank strives to be an outstanding corporate citizen by supporting the development of the Qatari community through a range of socio-economic initiatives in diverse areas such as sports and health, culture and humanitarian projects that together benefit Qatari society as a whole. During 2014, Commercial Bank's Marketing Department successfully implemented a large number of CSR initiatives both outside and within the Bank.

Commercial Bank sponsored an art exhibition in Istanbul featuring prominent Qatari artist Amal Al-Aathem

Sports and Health

Commercial Bank believes that sport plays an integral role in today's society, promoting active and healthy lifestyles through physical exercise, dedication, teamwork, competition and good sportsmanship.

Continued title sponsorship of the Commercial Bank Qatar Masters and the Grand Prix of Qatar Moto GP in 2014 reflects the Bank's promotion of excellence in sports and its keen interest in enhancing Qatar's sporting reputation by bringing the best international competitors to Qatar for tournaments attracting a global audience.

National Sports Day is a prominent nationwide initiative that holds great significance for Qatar's residents. Participation in sports and physical activity is an important area of focus for human development in the Qatar National Vision 2030 through promoting health, well-being and the development of Qatar's home-grown sportsmen and women.

Commercial Bank is a proud and active supporter of National Sports Day. In 2014, Bank employees and their families participated in a variety of sporting and community activities. In the spirit of encouraging sports and physical activities, staff took part in a cricket match, football match and a table tennis competition. Staff also took part in the Qatar Central Bank Marathon on Doha's Corniche, which the Bank sponsored. Gifts were distributed to members of Qatar's community on the children's floor at Hamad Hospital, and at the Qatar Central Bank Marathon.

Commercial Bank celebrated the 3rd Annual National Sports Day with various activities for staff and their families

Volunteers from the Bank distributed special National Sports Day gifts at the children's floor of Hamad Hospital

To promote health through making informed lifestyle choices, on National Sports Day a diet centre stand was created at Commercial Bank Plaza and at the Bank's Grand Hamad branch, with healthy food packs distributed to staff. The Bank also hosted a blood donation drive in 2014 with Hamad Medical Corporation, helping to save lives and improve the health of donors by stimulating production of red blood cells.

Culture

Celebrating, cherishing and promoting culture is a vital component of any advanced society. To support Qatar's flourishing cultural environment, Commercial Bank is the strategic banking partner of the Katara Cultural Village. This collaboration symbolises the Bank's commitment to foster cultural activities in the Qatari community and promote the country as a regional hub for arts and culture.

To highlight Qatar's cultural strengths with the rest of the world, Commercial Bank co-sponsored an art exhibition with its subsidiary ABank in Istanbul, Turkey, featuring prominent Qatari artist Amal Al Aathem – the first solo exhibition ever staged in Istanbul by a GCC artist. Amal Al Aathem is one of the most internationally respected Qatari artists and her exhibition titled 'Moon Dialog' ran throughout the month of November in 2014.

Commercial Bank chose to celebrate Qatar National Day with a wide range of traditional activities drawing upon Qatar's rich cultural heritage in a special tented zone by Commercial Bank Plaza. Over the course of three days, guests were served with Arabic coffee and traditional food favourites accompanied by historic Qatari music and games. Visiting local boys and girls schools performed the Arda dance and Qatar's heritage and customs were further celebrated with the display of handicrafts such as Sado (hand spinning and weaving) Bisht (stitching), boat making, pearl diving and falconry.

Management Review of Operations continued

Commercial Bank celebrated Qatar National Day with a wide range of traditional activities honouring Qatari heritage

Commercial Bank shared Garangao joy with hundreds of children at its branches across Doha

Humanitarian activities

Commercial Bank is inspired by, part of, and wholly committed to Qatar. The Bank is committed to supporting the full spectrum of Qatari society, including the disadvantaged and less fortunate. The Bank supported a number of notable charities in 2014 including a donation to the people of Syria and a QAR 25,000 donation to a foundation for Ghanem Al Muftah, a Qatari child with special needs.

Commercial Bank chose to celebrate Garangao by distributing Garangao bags to children at Hamad Hospital. Taking place on the 14th day of the holy month of Ramadan, Garangao is considered a special custom celebrated in Qatar and the Gulf, with its roots in the pearl diving heritage of the region. Children of all ages at Hamad Hospital were given specially designed Commercial Bank Garangao bags that were filled with an assortment of treats.

Human Capital

Commercial Bank is committed to developing local talent by equipping individuals with skills and training that leads to rewarding careers in banking. Developing Qatar's youth community is a key commitment of the Bank. As a part of this commitment, the Human Capital department is dedicated to creating a robust talent and knowledge pool within the Bank, to support building the nation's professional skills with people who will proudly represent their country at a national and international level in the future.

Commercial Bank's Human Capital department identified three key strategies for the Bank in 2014:

1. Recruitment, engagement and total rewards: Recruit and retain high-quality, diverse staff through effective workforce planning and talent acquisition methods; strong engagement; diversity and inclusion programmes; and a competitive total rewards package.
2. Learning, development and performance management: Create and sustain a high-performing workforce through innovative workforce learning, development and performance management programmes.
3. Human capital infrastructure: Develop human capital infrastructure by creating human capital policies, improving HR information systems, effectively allocating and prioritising resources, and achieving desired human capital outcomes through mutual accountabilities.

Recruitment, Engagement and Total Rewards

Human Capital continued to build the Bank's workforce by identifying and recruiting the best qualified talent to meet the immediate and long-term staffing needs of our growing organisation. Human Capital created and implemented a comprehensive three-year workforce planning process to improve planning and staffing of Commercial Bank positions. This process aligns with the annual budget process and identifies workforce requirements to allow for proactive planning tied to mission-driven hiring needs, create innovative recruitment strategies, and bring improvements to the recruitment and hiring processes including the development of tailored end-to-end recruitment tools.

Human Capital supported the Bank in 2014 by providing compensation and benefits policies, programmes and practices to attract and retain a high-quality workforce, particularly Qatari nationals in line with the Bank's long-term Qatarisation strategy. In order to stay competitive, Human Capital continues to benchmark existing compensation and benefits policies to industry peers in the financial sector in Qatar.

Learning, Development and Performance Management

As Commercial Bank's workforce increased in number, Human Capital prioritised the creation of a comprehensive learning and development programme to ensure that the Bank's workforce continued to develop job-related knowledge, skills and abilities. Human Capital accomplished this by launching a competency modelling development project in 2014 to identify the skills and expertise needed for mission-critical positions across Commercial Bank; by offering increased quantity and scope of learning programmes for employees and leaders; and by continuing to focus on employee engagement and performance management.

Human Capital continued to offer innovative and creative approaches to informal learning in 2014 and encouraged employees to utilise technology for their learning and development needs by launching 'Bawabah', a learning, development and career management portal.

Several proprietary educational and professional career advancement programmes were launched in 2014, designed for both the Bank's current talented employees and promising applicants. These include the Accelerated Leadership Programme, Future Leaders Programme, Graduate Development Programme and Bachelors Programme. These programmes are designed to empower employees and enable them to excel in their chosen field. Coaching and mentoring are integral to all of the Bank's talent programmes, optimising and accelerating the learning experience through the coaches' broader experience.

Commercial Bank has a unique career development training programme that provides exposure to a wide range of disciplines to create well-rounded banking professionals. The programme aims to ensure the next generation of Qatari bankers are equipped with the skills and passion to provide Commercial Bank's customers with the highest quality of expertise and professional services. We look forward to welcoming our next intake of future banking leaders into Commercial Bank, and continuing our commitment to working hand-in-hand with the Government towards developing Qatar's human capital in line with the Qatar National Vision 2030.

Commercial Bank partnered with HEC Paris for the second Youth Leadership Acceleration Programme for talented Qatari Nationals

Commercial Bank officials participated in the Dean's Lecture Series at Carnegie Mellon University in Qatar

In addition to learning initiatives, Human Capital focused on defining effective performance measures and managing employee performance in the Bank's annual performance cycle. Human Capital implemented a merit-based performance management programme throughout 2014 based on the principle of ongoing feedback and development. This included collaborative performance planning processes, mid-year performance discussions, year-end self-assessments, and a multi-source narrative feedback gathering process at year-end.

The performance management programme also included the creation of standard performance objectives for mission-critical jobs, implementing an automated performance management tool, conducting extensive performance management training, and facilitating management workshops to ensure consistent application of the programme. Continuous evaluation and improvement of this programme is essential to the development of Commercial Bank's workforce.

Management Review of Operations continued

Human Capital's learning and development strategies continue to develop programmes to explore and refine human capital metrics; explore competency and skill gaps based on performance management and other evolving data sources; respond to those gaps with new learning programmes; organisational development programmes; and leadership strategies.

Human Capital Infrastructure

Over the past year, Human Capital embarked on a massive HR infrastructure automation and transformation by creating and improving our HR information systems. Amongst HR automation initiatives deployed in 2014 were 'Bawabah' (learning, development, and career management portal), 'CbSwift' (end-to-end recruitment system), and phase 1 of 'CbTouch' (HR on mobile). While many other initiatives are in the pipeline, Human Capital continues to be a leader in HR automation and transformation for the benefit of Commercial Bank employees.

Acknowledgement

Commercial Bank's successful business performance in 2014 has only been possible through the dedication and hard work of our valued employees and the leadership team. We are also extremely grateful for the ongoing support and guidance provided by the Chairman, Vice Chairman and Managing Director and Members of the Board. Under their leadership, we have continued to achieve growth and have sustained our reputation of being one of Qatar's oldest and most successful banks for the past four decades.

In conclusion, we would like to express our sincere gratitude to His Highness Sheikh Tamim Bin Hamad Al Thani, Emir of the State of Qatar, for his visionary leadership of Qatar. We would also like to thank HE the Prime Minister and Minister of the Interior Sheikh Abdullah bin Nasser bin Khalifa Al Thani, HE the Minister of Finance, Mr. Ali Shareef Al Emadi, the Qatar Central Bank and the Ministry of Economy and Commerce for their continued guidance and support of the Bank throughout this past year. The Qatar Central Bank, under the leadership of His Excellency the Governor Sheikh Abdullah bin Saud Al Thani, has shown prudence with clear and consistent leadership of the banking industry enabling the Qatar financial market to grow despite a challenging operating environment.

We are very proud of our success over the last 40 years and are optimistic about what the future will bring for Commercial Bank and for Qatar.

Responsibility statement

To the best of our knowledge, financial statements prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit of The Commercial Bank of Qatar (Q.S.C.). We confirm that the management review, together with the notes to the financial statements, includes a fair review of development and performance of the business and the position of the Group together with a description of the principal risks and opportunities associated with the expected development of the Group.

18 March 2015

For and on behalf of the Board of Directors:

Hussain Ibrahim Alfardan
Vice Chairman and Managing Director

Abdulla Saleh Al Raisi
Chief Executive Officer

Commercial Bank hosted an inspirational staff event for Qatari Nationals under the theme "Moving from Me to We"

Corporate Governance Report 2014

1. Introduction

The Bank is committed to strong corporate governance practices that allocate rights and responsibilities among the Bank's shareholders, the Board and the executive management to provide for the effective oversight and management of the Bank in a manner that enhances shareholder value.

The Bank is required to comply with the Corporate Governance Guidelines for Banks and Financial Institutions issued by Qatar Central Bank (the QCB Guidelines) and the Corporate Governance Code for Joint Stock Companies listed on markets regulated by the Qatar Financial Markets Authority (the QFMA Code). In addition, the Bank seeks to adopt international best practices for Corporate Governance, including but not limited to those developed by the Organisation for Economic Cooperation and Development (OECD), the Bank for International Settlements (BIS) and the International Institute of Finance (IIF).

The shares of the Bank, represented by Global Depository Receipts, are listed on the London Stock Exchange. Debt securities issued or guaranteed by the Bank are listed on the London Stock Exchange and on the SIX Swiss Exchange. The Bank complies with the listing rules of those exchanges as well as those of the Qatar Exchange.

In view of the increasing focus on corporate governance and risk management, the Bank has taken active measures to further enhance and raise its corporate governance standards during 2014. Through the combined efforts of the Board of Directors, the executive management and the employees, the Bank has adopted governance charters and documents which are in line with applicable regulatory requirements and leading corporate governance practices. These standards are reviewed by the Board annually to ensure that the Bank maintains best practices in corporate governance. The Board Charter, the Board Committees Charter and the Corporate Governance Charter are available on the Bank's website www.cbq.qa and are also available in print to any shareholder upon request.

2. The Board of Directors

2.1 Role of the Board and Executive Management

The Board oversees the conduct of the Bank's business and is primarily responsible for providing effective governance over the Bank's key affairs, including the appointment of executive management, approval of business strategies, and evaluation of performance and assessment of major risks facing the Bank.

In discharging its obligations, the Board exercises judgment in the best interests of the Bank and relies on the Bank's executive management to implement approved business strategies, resolve day-to-day operational issues, keep the Board informed, and maintain and promote high ethical standards. The Board delegates authority in management matters to the Bank's executive management subject to clear instructions in relation to such delegation of authority and the circumstances in which executive management shall be required to obtain Board approval prior to taking a decision on behalf of the Bank.

The Board has established clear rules in relation to the dealings of the Board and the employees in securities issued by the Bank.

2.2 Board Composition and Directors' Qualifications

The size of the Board is in accordance with the Bank's Articles of Association, which currently provide for nine (9) Directors. The organisation of the Board shall (i) be determined from time to time according to the requirements of the Bank, and (ii) be subject to the Directors' independence provisions set out below. The Board is required to consist of a balance of Non-Executive and Independent Directors.

The position of Chairman of the Board and Managing Director of the Bank may not be held by the same individual.

The Board is collectively required to possess professional knowledge, business expertise, industry knowledge and financial awareness sufficient to enable the Board to carry out its responsibilities, and Directors shall have experience and technical skills in the best interests of the Bank.

2.3 Secretary of the Board of Directors

The Secretary of the Board is entrusted to record, coordinate and register all meetings of the Board along with maintaining custody of records, reports and other materials sent to and received by the Board. The Secretary's functions also include distribution of information and coordination among members of the Board and between the Board and its stakeholders. The Secretary is also entrusted to ensure the timely access of members of the Board to all minutes of meetings, information, documents and records relating to the Bank.

2.4 Electing Directors

The Bank has a Nomination Committee which is tasked to uphold the transparency in the nomination process for Board membership. This Committee is responsible for recommending Board Members' appointments and nomination for election in the General Assembly.

Nominations and appointments are made in accordance to formal, rigorous and transparent procedures as per the QFMA Corporate Governance Code and in line with the Bank's Articles of Association and the relevant governance charters. To be elected to the Board, a nominee Director must receive a majority of votes cast in the election. Members of the Board shall be elected for a period of three (3) years, and a director may be re-elected more than once.

A Director's membership to the Board shall terminate in the event that, amongst other things, the Director is convicted of an offence of dishonour or breach of trust or is declared bankrupt.

Vacancies on the Board are filled in accordance with the Bank's Articles of Association.

2.5 Directors' Responsibilities

The responsibilities of the Chairman of the Board are as defined in the Bank's Articles of Association, the Commercial Companies Law and the Directors' Job Descriptions.

Directors shall be given appropriate and timely information to enable them to maintain full and effective control over strategic, financial, operational, compliance and governance issues of the Bank.

Directors shall act in accordance with the Bank's Articles of Association, the Commercial Companies Law, the Board Charter, the Board Committees Charter and the Corporate Governance Charter.

Other than resolutions passed at each Annual General Assembly absolving the Board of Directors from responsibility, and provisions in the Articles of Association requiring that disputes against directors can only be brought in accordance with a resolution by the General Assembly, there are no provisions in effect protecting the Board of Directors and the executive management from accountability.

2.6 Directors' Independence

At least one third of the Board shall comprise Independent Directors and a majority of the Board shall comprise Non-Executive Directors. Directors must notify the Board as soon as reasonably practicable in the event of any change in circumstances which may affect the evaluation of their independence. Non-Executive Directors must be able to dedicate suitable time and attention to the Board, and their directorship must not conflict with any other interests of such Directors.

2.7 Board Meetings

The Board shall hold meetings at least once every two (2) months pursuant to either (i) a written notice from the Chairman of the Board or his Deputy at least one week prior to the meeting or (ii) the request of another member of the Board of Directors.

Notice of meetings issued by the Chairman of the Board shall include the meeting agenda. Directors may request that a matter be included on the meeting agenda.

Directors are expected to make every effort to attend, in person, all scheduled Board meetings and meetings of the committees of the Board on which they serve. A Board meeting shall only be validly called if a majority of Directors are in attendance (whether in person or by proxy) and provided that at least four (4) Directors are present in person.

Voting in Board meetings shall be in accordance with the Bank's Articles of Association. Matters considered, and decisions taken, by the Board shall be recorded by means of minutes kept by the secretary of the Board.

As per the Board Charter, the Board meets a minimum of six (6) times (once every two (2) months at a minimum). The Board met a total of seven (7) times in 2014 to conduct its duties and responsibilities.

2.8 Board Committees

Board committee members are appointed by the Board. Each Board committee has its own written terms of reference, duties and authorities as determined by the Board and defined in the Board Committees Charter and applicable job descriptions.

The standing Board committees are as follows:

Board Risk Committee
The Board Risk Committee is composed of four (4) non-executive members, the members are Mr. Omar Hussain Alfardan (Chairman), H.E. Mr. Abdul Rahman Bin Hamad Al Attiyah, Mr. Mohd Ismail Mandani Al Emadi and Mr. Andrew Stevens.

The Terms of Reference provide that the Committee is responsible for (i) all aspects of enterprise risk management including but not restricted to credit risk, market risk, liquidity risk and operational risk, (ii) setting forth risk policies, criteria and control mechanisms for all activities involving any types of risk and (iii) overseeing all Bank risks through the Management Risk Committee (MRC).

The Committee is required to meet at least four (4) times a year. The Board Risk Committee met a total of four (7) times in 2014.

Policy, Strategy and Governance Committee
The Committee is composed of five (5) non-executive members, the members are H.E. Sheikh. Abdullah bin Ali bin Jabor Al Thani (Chairman), Mr. Hussain Ibrahim Alfardan, H.E. Mr. Abdul Rahman Bin Hamad Al Attiyah, Mr. Omar Hussain Alfardan and Mr. Andrew C. Stevens.

The Terms of Reference provide that the Committee (i) reviews and develops the long term strategy, brand, vision and mission of the Bank, (ii) reviews and develops the annual business plan and the budget in line with the long term strategy and the changes in economic, market, and regulatory environments, (iii) monitors and evaluates the Bank's performance periodically against the strategy, business plan and budget, (iv) reviews and pre-approves the Bank's proposed policies prior to final approval being sought from the Board of Directors unless the Board delegates its "final approval authority" to the Committee and (v) on a periodic basis, reviews and assesses any changes to international and local corporate governance practices and applicable regulations that could impact Commercial Bank's activities and recommends any required changes in practices and documentation to the Board of Directors for review and approval.

Corporate Governance
continued

The Committee is required to meet at least four (4) times a year, and at least once in each financial quarter of the year. The Policy, Strategy and Governance Committee met a total of 11 times in 2014.

Board Executive Committee
The Committee is composed of five (5) non-executive members, the members are H.E. Sheikh. Abdullah bin Ali bin Jabor Al Thani (Chairman), Mr. Hussain Ibrahim Alfardan, Mr. Omar Hussain Alfardan, Mr. Mohd Ismail Mandani Al Emadi and Mr. Andrew C. Stevens.

The Terms of Reference provide that the Committee (i) acts as a consultative body to the Board, which handles matters that require the Board's review, but may arise between Board meetings. In addition, this Committee deliberates matters, specifically credit matters, in detail which are not discussed at length in the meetings of the Board, and assists the Board in detailed reviews and analysis which could be done prior to a Board meeting and (ii) is also delegated certain approval authorities by the Board including the granting of major credit facilities and undertaking major investments within the approved limits as per the Bank's approved delegation of authority matrixes.

The Committee is required to meet at least once a month (12 times a year). The Board Executive Committee has met a total of 21 times in 2014.

Board Audit and Compliance Committee
The Board Audit and Compliance Committee is composed of two (2) independent members, (1) non-independent member and one (1) alternate independent member. The members are H.E. Mr. Abdul Rahman Bin Hamad Al Attiyah (Chairman), Sheikh Jabor bin Ali bin Jabor Al Thani and Mr. Ali Mohd Ghanim Al Mannai.

The Terms of Reference provide that the Committee is responsible for (i) overseeing the quality and integrity of the accounting, auditing, internal control and financial reporting practices of the Bank, (ii) setting forth compliance and Anti-Money Laundering & Combating Financing Terrorism (AML/CFT) requirements, and defining criteria and control mechanisms for all activities involving Bank-wide related risks and (iii) recommending the appointment of the External Auditors to the Board, and in turn, the Board will review and recommend the same for approval in the Annual General Meeting.

The Board Audit and Compliance Committee is required to meet four (4) times a year or more frequently if needed. The Board Audit and Compliance Committee met a total of five (5) times in 2014.

Board Remuneration Committee
The Committee is composed of two (2) non-executive members, one (1) independent member and one (1) alternate independent member. The members are Sheikh Jabor bin Ali bin Jabor Al Thani (Chairman), Mr. Hussain Ibrahim Alfardan, H.E. Mr. Abdul Rahman Bin Hamad Al Attiyah and Mr. Jassim Mohammed Jabor Al Mosallam (alternate member).

The Terms of Reference provide that the Committee is responsible for (i) setting the Bank's remuneration framework for the Board Members, the management and the employees, as outlined in the Directors' remuneration policy and Human Resources policy on management and employee compensation and benefits, respectively. Remuneration shall take into account the responsibilities and scope of functions of the Board Members and the management as well as the performance of the Bank. Compensation includes fixed and performance related components that are based on the long-term performance of the Bank. The Committee is also responsible for (ii) presenting the Bank's remuneration framework to the Board, with the Directors' Remuneration Policy being subject to further approval by the shareholders in the General Assembly.

The Board Remuneration Committee is required to meet twice a year. The Board Remuneration Committee met two (2) times in 2014.

Board Nomination Committee
The Committee is composed of three (3) independent members and one (1) alternate independent member, the Members are Sheikh Jabor bin Ali bin Jabor Al Thani (Chairman), Mr. Jassim Mohammed Jabor Al Mosallam, Mr. Ali Mohd Ghanim Al Mannai and Mr. Abdulla Mohammed Ibrahim Al Mannai (alternate member).

The Terms of Reference provide that the Committee (i) oversees the establishment of a nomination process for Board Members, (ii) follows "Fit and Proper Guidelines for Nomination of Board Members" annexed to the QFMA Corporate Governance Code, (iii) reviews candidate profiles of all new Board Members applying for election to the Board considering current Board composition, (iv) recommends appointment of new members to the Board for recommendation to the General Assembly, (v) reviews members for re-election and provides opinion to the Board for communication to the General Assembly and (vi) facilitates the performance of an annual self-assessment exercise for the full Board.

The Board Nomination Committee is required to meet twice a year. The Board Nomination Committee met two (4) times in 2014.

2.9 Directors' Remuneration

Remuneration of Directors is in accordance with QCB Circular No. 18/2014 and in compliance with the QCCL (Law 5 of 2002), the QFMA Corporate Governance Code and the Bank's Articles of Association. This remuneration framework shall be presented to the shareholders in the General Assembly for approval and shall be made public. In conformity with the Bank's Remuneration Policy for the Board, remuneration shall take into account the responsibilities and scope of functions of the Board Members as well as the performance of the Bank. Remuneration may take the form of (i) fixed salaries, (ii) directors' fees, (iii) in-kind benefits or (iv) a percentage of the Bank's profits. Directors may receive multiple forms of remuneration provided that remuneration by way of a percentage of the Bank's profits shall not, after deduction of expenses, depreciation and reserves and distribution of dividends of not less than 5% of the Bank's capital, exceed 10% of the net profit of the Bank. The amount of such remuneration shall be approved annually by the General Assembly, taking into account the level of profitability of the Bank.

Total remuneration earned by the Board in 2014 was QAR 19,190 million compared to QAR 23,85 million in 2013.

2.10 Independent Advisors

The Board and its committees may retain counsel or consultants with respect to any issue relating to the Bank's affairs. Costs and expenses incurred pursuant to appointment of independent advisors or consultants shall be borne by the Bank.

For 2014, total costs incurred by the Bank with respect to retaining independent counsel and advisors amounted to QAR 43,8 million.

2.11 Independent and Non-Executive Members of the Board of Directors

As at 31 December 2014, the Board of Directors of the Bank comprised the following members:

Sh. Abdullah bin Ali bin Jabor Al Thani
Chairman

Date of First Appointment	1990
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Non-Independent

Mr. Hussain Ibrahim Alfardan
Vice Chairman and Managing Director

Date of First Appointment	1975
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Non-Independent

H.E. Mr. Abdul Rahman bin Hamad Al Attiyah
Member

Date of First Appointment	2014
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Non-Independent

Mr. Jassim Mohammed Jabor Al Mosallam
Member

Date of First Appointment	1975
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Independent

The Late Mr. Abdulla Mohammed Ibrahim Al Mannai
Member

Date of First Appointment	1987
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Independent

Mr. Omar Hussain Alfardan
Member

Date of First Appointment	2002
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Non-Independent

Sh. Jabor bin Ali bin Jabor Al Thani
Member

Date of First Appointment	2002
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Independent

Mr. Ali Mohd Ghanim Al Mannai
(Representative of Qatar Insurance Company)
Member

Date of First Appointment	2014
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Independent

Mr. Mohd Ismail Mandani Al Emadi
(Representative of M/S Savings Development Company LLC)
Member

Date of First Appointment	2014
Expiry of Current Appointment	2016
Status on Board	Non-Executive, Non-Independent

Corporate Governance
continued

The status of the Board Members as Non-Executive, Independent or Non-Independent is determined in accordance with the QCB Guidelines.

Details of the Board Members' education, experience and principal membership in other banks, financial institutions or companies are set out below:

Sheikh Abdullah bin Ali bin Jabor Al Thani
Chairman

Chairman of the Board Policy, Strategy and Governance Committee and the Board Executive Committee

Director of National Bank of Oman and Director of United Arab Bank, owner of Vista Trading Company, Partner in Dar Al Manar, Domopan Qatar, and Al Aqili Furnishings. Graduated from Qatar University with a BA in Social Science.

Mr. Hussain Ibrahim Alfardan
Vice Chairman and Managing Director

Member of the Board Policy, Strategy and Governance Committee, the Board Executive Committee and the Board Remunerations Committee

Chairman of Alfardan Group; Chairman of United Development Company; Chairman of QIC International LLC; Director of Qatar Insurance Company; Founding member and Director of Investcorp Bahrain, Vice Chairman of Gulf Publishing and Printing Company; and Vice Chairman of the Qatar Businessmen Association.

H.E. Mr. Abdul Rahman Bin Hamad Al Attiyah
Board Member

Chairman of Board Audit and Compliance Committee and a member of the Board Policy, Strategy and Governance Committee, the Board Risk Committee and the Board Remunerations Committee

State Minister, Vice President of the Board of Trustees of the Arab Thought Forum – Amman, Jordan, Director of the National Bank of Oman (NBO), Owner and Chairman of Mawten Trading Co.

Graduated from the USA with a BA in Political Science.

Mr. Jassim Mohammed Jabor Al Mosallam
Board Member

Member of the Board Nomination Committee and Alternate Member of the Board Remuneration Committee

Owner of Al Mosallam Trading Company, Director of Qatar German Medical Devices Company and Qatar Clay Bricks Company.

The Late Mr. Abdulla Mohammed Ibrahim Al Mannai
Board Member

Member of the Board Remuneration Committee and Alternate Member of the Board Nomination Committee and the Board Audit and Compliance Committee

Owner of AMPEX and Qatar Marble & Islamic Mozaic Company; member of the Qatar Businessmen's Association.

Mr. Omar Hussain Alfardan
Board Member

Member of the Board Policy, Strategy and Governance Committee, the Board Executive Committee and the Chairman of the Board Risk Committee

CEO of Alfardan Group, Alfardan Hotels and Resorts, Alfardan Automobiles and Alfardan Properties in Qatar and Oman; Director of Alfardan Jewellery in Qatar and KSA, Alfardan Investment and Alfardan Marine Services in Qatar; Chairman of the Board of Directors and the Board Executive Committee of National Bank of Oman; Chairman of the Board Executive Committee of United Arab Bank in UAE; Vice Chairman of the Board of Directors and Chairman of the Board Executive Committee of Alternatifbank (ABank) in Turkey; Chairman of Qatar District Cooling Company (Qatar Cool); Director of United Development Company

Graduated from Webster University, Geneva with a BA in Business Administration and a Masters in Finance.

Sheikh Jabor bin Ali bin Jabor Al Thani
Board Member

Chairman of the Board Remuneration Committee and the Board Nomination Committee and a Member of the Board Audit and Compliance Committee

Director of Gulf Publishing and Printing Company and Qatar Clay Bricks Company; owner of Al Maha Contracting Co.

Mr. Ali Mohd Ghanim Al Mannai
(Representative of Qatar Insurance Company)
Board Member

Member of the Board Audit and Compliance Committee, and the Board Nominations Committee

Deputy CEO of QIC Group and Representative of Qatar in SUMED

Graduated from Alexandria University in 1977 – Specialised in Accounting.

Mr. Mohd Ismail Mandani Al Emadi
(Representative of M/S Savings Development Company LLC)
Board Member

Member of the Board Executive Committee and the Board Risk Committee

Director of National Bank of Oman; Director of Alternatifbank (A Bank) in Turkey, and Managing Director of Qatar Cinema & Film Distribution Co. in Qatar

Graduated from Holy Names University, California with a B.Sc. in Business Administration & Economics.

3. Executive Management

Executive Management (defined as the group of persons with operational responsibility for the Bank appointed by the Board) is responsible for the overall day-to-day management of the Bank.

As at 31 December 2014, Executive Management of the Bank comprised the following:

Name	Position
Mr. Andrew C. Stevens	Group Chief Executive Officer (GCEO) until September 2014, and currently Advisor to the Board of Commercial Bank
Mr. Abdulla Al Raisi	Chief Executive Officer (CEO)
Mr. Colin Macdonald	Deputy Chief Executive Officer
Mr. Rehan Khan	Chief Financial Officer
Mr. Sandeep Chouhan	EGM & Group Chief Operating Officer
Mr. Dean Proctor	EGM, Consumer Banking
Mr. Parvez Khan	EGM, Treasury, Investments & Strategy
Ms. Rana Salatt	EGM, Chief Risk Officer
Mr. Abduljalil Borhani	EGM, Strategic Clients
Mr. Mr. Fahad Badar	EGM, International & Private Banking
Ms. Sharoq Ibrahim Al Malki	EGM, Chief Human Capital Officer
Mr. Jeremy Davies	EGM & Chief Marketing Officer
Mr. Gary Williams	Senior AGM & Chief Internal Auditor
Mr. Mohamad Mansour	SAGM & Head of Compliance & AML/CFT Department

3.1 Education, Experience and Affiliations

Mr. Andrew C. Stevens

The Group Chief Executive Officer of Commercial Bank of Qatar until September 2014 and currently occupies the position of Advisor to the Commercial Bank's Board, Graduated with a B.Com (Hons) in Banking and Finance from Birmingham University, England; began his banking career in 1980 with Standard Chartered Bank in Dublin, Ireland and has over three decades of experience in financial markets throughout the world. Joined Commercial Bank in 1989 as Deputy Manager – Operations & Administration and has held a number of key executive roles, including as Assistant General Manager & Head of Retail Banking followed by General Manager of Commercial Bank; assumed the role of CEO of Commercial Bank in 2005 subsequently followed by Group CEO in 2008. A member of the Board of Directors of National Bank of Oman, United Arab Bank and CBQ Finance Limited; Chairman of Orient 1 Limited; Vice Chairman of Alternatifbank; and Director of QIC International LLC. A member of the Visa International Senior Client Council.

Mr. Abdulla Saleh Al Raisi

Graduated from Portland State University in 1982 with a B.Sc. in Political Science & Social Science; joined Commercial Bank in 1998; appointed Deputy CEO in March 2007 then CEO in July 2013; previously with QAFCO; over 26 years of experience including extensive banking experience in Arab Gulf States Folklore Center and Doha Bank respectively; Chairman of Commercial Bank Investment Services; Director of CBQ Finance Limited.

Mr. Colin Macdonald

An Honours graduate in Business Finance, a London Business School Alumnus (Corporate Finance programme). A Certified Professional Director having completed the Director Development Programme at the Mudara Institute of Directors. 27 years of wide ranging financial banking services experience. Previously Group CEO of Shuaa Capital. Held several key positions in ABN AMRO Bank including Regional Head, Middle East.

Mr. Rehan Khan

Graduated from London School of Economics with a Bachelor in Economics. Trained with KPMG in London and member of the Institute of Chartered Accountants in England and Wales. 22 years banking experience with HSBC working in London, India, Malaysia and Saudi Arabia. Joined Commercial Bank as Chief Financial Officer in 2013. Director of Orient 1 and CBQ Finance.

Mr. Sandeep Chouhan

Graduated from the National Institute of Technology, India; joined Commercial Bank as Group Chief Operating Officer in June 2008; previously with Barclays Bank in London; over 20 years global experience in banking operations and technology, including five years with Morgan Stanley and eight years with Citigroup across EMEA, Asia and USA; Chartered Professional of the British Computer Society; Director of Orient 1 Limited.

Mr. Dean Proctor

Joined Commercial Bank in January 2012 as EGM, Retail & Consumer Banking. Previously CEO of Arbuthnot Latham & Co. Ltd, a private bank in the UK, for 3 years. Concurrently an Executive Director and Board Member of Arbuthnot Banking Group a UK listed company. Previously with Citibank working in the UK as Managing Director, UK Retail & Wealth Management including Egg Banking Plc and internationally as Head of Credit Cards for the Middle East based out of UAE. Spent 14 years with Lloyds Bank Plc working in retail and corporate banking across all divisions. Chairman of Asteco Qatar and Massoun Insurance Services and Director of Commercial Bank Investment Services and Orient 1 Limited.

Corporate Governance
continued

Mr. Parvez Khan

Graduated from Aligarh Muslim University with Bsc in Chemical Engineering, Joined in 1994 and was responsible for setting up Investment services business. Over 20 years of experience in Treasury Capital Markets and Investment Banking. Completed Diploma in International Capital Markets from New York Institute of Finance. Director of Commercial Bank Investment Services.

Ms. Rana Salatt

Graduated from Qatar University in 1996 with a major in English, Joined Commercial Bank in 1996 as a graduate trainee in Retail Banking and was then promoted to Risk Administration Assistant. A number of promotions followed: Manager, Credit Risk Administration in 2003, Head of Credit Administration & Control in 2005, Head of Client Relations in 2008, Head of Credit Control in 2009, Assistant General Manager and Head of Risk Controls in 2011 and EGM, Chief Risk Officer in 2013. Owns 16 years of banking experience in Commercial Bank between Retail and Risk.

Mr. Abdul Jalil Borhani

Graduated from Northern Arizona University in Business Administration in 1992; joined Commercial Bank in 1993, beginning his career in corporate banking as relationship officer; promoted to EGM, Corporate Banking Officer in January 2009; currently EGM, Strategic Clients.

Mr. Fahad Badar

Joined Commercial Bank in 2000 and currently serves as EGM, International & Private Banking. Over 11 years of experience in various areas of the retail, corporate banking and operations divisions, where he has built strong relationships and an excellent reputation amongst key industry stakeholders, from customers to peers. B.Sc. in Banking & Finance from the University of Wales and an MBA from Durham University. Director of Alternatifbank.

Ms. Sharoq Ibrahim Al Malki

Masters in Social Policy and Administration from University of Nottingham, UK, currently pursuing a PhD in Business Administration specialising in industrial / organisational psychology. Joined Commercial Bank as EGM, Chief Human Capital Officer on 8 January 2014. Over 11 years of experience in different sectors including oil and gas, government and semi government. Winner of "HR Professional Award" in 2013.

Mr. Jeremy Davies

Joined Commercial Bank as EGM & Chief Marketing Officer in 2012; began his career at multinational advertising agency J Walter Thompson in 1990, having graduated in Law from Exeter University; completed his MBA at the Judge Business School, Cambridge and became the founder and Managing Director of JWT's brand & digital consultancy; joined the cable group NTL as Marketing Director in 2001; appointed Brand & Communications Director at Abbey National/Santander in 2003; joined the E.ON Group in 2008 as UK Brand and Communications Director, with responsibility for all UK marketing activities, as well as internal communications, PR and public affairs, before being appointed as Marketing Director of E.ON's new Energy Solutions Business in 2011, driving customer satisfaction improvements across E.ON's core markets across Europe.

Mr. Gary Williams

Joined Commercial Bank in 2010 as Senior AGM and Chief Internal Auditor; previously with Standard Chartered Bank for 25 years, the last 12 of which were in Group Internal Audit and Operational Risk Assurance positions; roles in the Group Internal Audit function included postings in the UK, Singapore, Hong Kong and South Korea; final role in Standard Chartered Bank, prior to joining Commercial Bank was to establish and manage the Operational Risk Assurance function in 20 countries across the Africa, Middle East and Pakistan regions for the Bank.

Mr. Mohamad Mansour

Started his banking career at the Treasury Bills Department of the Central Bank of Lebanon; founding member and a former Senior Investigator and Research Analyst of the Financial Information Unit at the Central Bank of Lebanon, where he led numerous money laundering and terrorism financing investigations with regional and international counterparts as well as conducting the Bank's examinations on anti-money laundering programs; Certified Anti Money Laundering Specialist (CAMS) and Certified Compliance Officer, actively involved with local and international regulators on enhancing the AML/CFT implementation, raising awareness and introducing the latest AML & CFT information technology solutions.

3.2 Management Committees

The Executive Management functions through a number of committees, which support the role of the Chief Executive Officer (CEO). The number of management committees and their responsibilities are determined by the Board; membership of the various committees is determined by the CEO. A summary of their main activities is set out below.

Management Executive Committee (EXCO)

EXCO is chaired by the CEO and meets on a regular basis, monthly, or as required by the business. Its principal function is to develop the annual business plan and budget for the Bank, and to monitor performance against these.

Management Risk Committee (MRC)

The MRC is the highest authority at management levels on all risk-related issues of the Bank, and reports on all risk policy and portfolio issues to the Board Risk Committee. It monitors and controls levels of credit, retail and operational risk to ensure that the risk strategies and policies approved by the Board are adhered to and implemented. The MRC also sets up and monitors the policies and procedures relating to the management of business continuity. The Chief Risk Officer serves as chairman of the MRC, which meets at least four times a year, and more frequently if necessary.

Asset and Liability Committee (ALCO)

ALCO is a decision making body for developing policies relating to asset and liability and market risk management with the objective of maximising shareholder value, enhancing profitability, and protecting the Bank from facing adverse consequences arising from changes in extreme market conditions and compliance with regulatory guidelines. Its key functions are to formulate policies on market risk, liquidity risk and interest rate risk, and to ensure that such risks are effectively addressed, controlled, monitored and managed. The Chief Financial Officer serves as chairman of ALCO. Meetings of ALCO are held once a month or more frequently if necessary, particularly in the case of a volatile operating environment.

Special Assets Management (SAM) Committee

Special Assets are those assets of the Bank which require extensive monitoring and control in order to minimise risk, prevent losses, maximise recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions. The SAM Committee supervises these activities, reviews related policies and procedures and monitors actions being taken on all accounts within the Special Asset portfolio. The Head, Special Assets serves as chairman of the committee. Meetings are held at least four times a year, or more frequently as deemed appropriate by the chairman.

Management Credit Committee (MCC)

The MCC reviews, recommends and implements approved credit policies and procedures relating to the Bank. The Committee reviews the delegated authorities related to credit and recommends amendments to the Board where appropriate. It also escalates its decisions relating to credit facilities which exceed its authority to the BEC. The Chief Credit Officer serves as chairman of the MCC. Meetings are held as and when required.

Investment Committee (ICO)

The Investment Committee reviews the delegated authorities related to investments and recommends amendments to the Board where appropriate. The Committee also assumes the responsibility to review and approve the range of investment products across the Bank. It also monitors and reviews the performance of all the investment portfolio activities. The Head of Treasury and Financial Markets serves as chairman of the committee. Meetings are held at least four times a year, or more frequently as deemed appropriate by the Chairman.

Crisis Management Committee (CMC)

The CMC is responsible for heading incidents which may result in a crisis situation for the Bank. The Committee ensures that a bank-wide Crisis Management Plan (CMP) is developed and communicated to all stakeholders including the establishment of a Crisis Management Team. It also ensures formal drills and training are conducted and a comprehensive communication process is developed regarding Crisis Management. In the event of an incident which may conceivably result in the activation of the Bank's Crisis Plan, the Bank's Call Tree will be used to communicate the incident to the CEO who will decide whether the Bank's Recovery Plans require to be actioned. In the event that the Bank's Recovery Plans are activated this will be rapidly communicated to all stakeholders by way of activation of the Bank's mobile phone Call Trees. The Chief Executive Officer serves as Chairman of the committee. Meetings are held as and when required.

3.3 Senior Management Remuneration

Total remuneration earned by the Senior Management in 2014 (in QAR thousand)s was:

Fixed Remuneration	67,520	
Discretionary Remuneration	26,704	
Other Benefits	3,014	
Total	97,238	(2013: 75,303)

Corporate Governance
continued

4. Ownership Structure

In accordance with Article (7) of the Bank's Articles of Association, no person (whether natural or juridical) shall own at any time more than 5% of the total shares in the Bank by any means other than inheritance, with the exception of (i) Qatar Investment Authority, Qatar Holding LLC or any of their associated companies and (ii) a custodian or depository bank holding shares in respect of an offering of Global Depositary Receipts.

As at 31 December 2014, 84.50% of the total number of shares in the Bank were held by Qatari nationals (whether individuals or entities) and 15.50% of such shares by foreign investors. As at 31 December 2014, in percentage terms, the largest shareholdings in the Bank were as follows:

Qatar Holding LLC	16.67%
Pension Fund of General Retirement & Social Insurance Authority (GRSIA)	1.84%
Al Watani Fund 4	1.76%
Al Watani Fund 3	1.58%

5. Compliance, Internal Audit and Risk Governance

5.1 Compliance Culture

The Bank promotes a robust compliance culture across the organisation and requires everyone, from the Board down to staff, to consistently comply with applicable laws, regulations and standards.

5.2 Compliance Set-up

The Bank has incorporated the regulatory requirements into the Bank's policies, procedures and systems. The Bank has comprehensive compliance and AML/CFT policies describing the compliance and AML/CFT functions at Commercial Bank Group, and this has been assessed and evaluated by internal and external bodies.

5.3 Compliance Milestones

Besides the achievements of the compliance and AML/CFT annual plan approved by the Board Audit and Compliance Committee, the department was also presented and involved in all the following tasks: Providing compliance advice and guidance on all daily inquiries raised by the Bank's management/staff in a timely manner; Representing compliance in all Operational Risk Approval Process (ORAPs) and MRC meetings; Addressing all the Bank's business units' inquiries with QCB; Addressing all inquiries raised by QCB on behalf of business units; Facilitating and responding to all QCB examiners' requests for the 2014 annual QCB regulatory review on all the Bank's business units; and Regulatory reporting: Investigating and responding to all inquiries raised by the Financial Information Unit (FIU), QCB, and other regulatory inquiries. Monitoring the bank's rations vs. QCB mandated ratios. Followed-up the progress of the data cleansing project.

5.4 Compliance Awareness

As a result of the Bank's commitments to the implementation of the regulatory requirements and to keep the Bank's staff up to the standard, the Bank has provided its staff with an AML compliance E-Learning course, live training and an induction program for new joiners, covering different aspects of regulatory requirements.

5.5 Internal Audit

The Bank's Internal Audit function is headed by the Chief Internal Auditor (CIA), who reports directly into the Board Audit and Compliance Committee. There was a total of 14 staff in the Internal Audit function as at 31 December 2014, including the CIA. The role of the Internal Audit function is to provide independent assurance to the Board and senior management of the Bank as to both the adequacy of controls and of the effectiveness of the operation of these controls.

This role is fulfilled by way of a combination of unit or process specific functional audits, assurance audits that usually involve the review of multiple units within the Bank based on a particular risk, theme or end-to-end process and credit reviews, which independently assess the quality of the Bank's credit portfolios. Audit work is in accordance with an audit plan which is approved by the Board Audit and Compliance Committee, which is derived from a twice yearly risk assessment exercise covering all auditable units, systems and processes across the entire Bank. In addition to planned audit assignments, the Internal Audit function is also involved in undertaking occasional, unscheduled investigation work. During 2014, the Internal Audit function produced a total of 30 audit and investigation reports, which covered a total of 108 units within the Bank's inventory of auditable units.

Additionally, the Internal Audit function undertook 4 ad hoc assignments which, in certain instances, did not result in a formal report being issued to the Board Audit and Compliance Committee. Furthermore, during the year, the function also reviewed and provided recommendations on each and every procedural document across the Bank's entire operations, as part of a Bank-wide project to enhance the Bank's policies and procedures.

All audit work undertaken is in accordance with the Board Audit and Compliance Committee approved Internal Audit Charter and Standard Operating Procedures, which are based on the Institute of Internal Auditors standards.

5.6 Risk Governance

Risk governance is an integral part of the Bank's effective risk-based oversight and the Board is focused on assessing, managing, and mitigating risk.

Risk governance at the Bank is defined as the Board and management's oversight of risk. It is the Board which is ultimately responsible for ensuring that all risks to the Bank are identified, evaluated and suitably managed. To this end, it is ensured that:

- Complete risk information is transmitted to the Board.
- Non-executive directors have the required level of expertise.
- The Board provides a forum for vetting strategic risk issues.

The Bank's Board is involved in risk decisions through the:

- Board Risk Committee is responsible for all aspects of enterprise wide risk management including, but not limited to credit risk, market risk, liquidity risk and operational risk. The BRC reviews the policy on all risk issues and maintains oversight of all Bank risks.
- Board Executive Committee is responsible for evaluating and granting credit facilities within authorised limits as per QCB and Board guidelines as well as for reviewing the strategy on recovery of Special Asset relationships, reviewing and approving all credit proposals (other than off-the-shelf products) relating to political figures and persons in ministerial posts, within the Risk Delegation of Authority, and approving credit facilities with tenor above 8 years.

At management level, risk governance is implemented by adopting and integrating the necessary systems to identify, manage, and report risk. The level and nature of aggregate risk arising in rapidly evolving balance sheets are captured by systems and reports.

Risk management units have the visibility, stature, and independence to consolidate institution-wide risks and elevate concerns to a level sufficient to prompt a response from management and the Board.

The Bank's risk governance structure ensures risk governance is able to respond with flexibility due to timelier, more complete, and enterprise-wide risk information, enabling the Board to make critical decisions to curtail risk earlier.

6. The Bank's Policies

6.1 Corporate Governance Charter

The Bank recognises that an effective corporate governance framework is the local component in the achievement of the Bank's corporate objectives and maximisation of shareholders' value. The Bank has established corporate governance practices and protocols in compliance with its Articles of Association and relevant requirements and in line with relevant corporate governance leading practices.

The Corporate Governance Charter captures the detailed guidelines of the Bank's governance framework.

6.2 Anti-Fraud Policy

The Anti-Fraud Policy facilitates development of controls that aid in the detection and prevention of fraud perpetrated against the bank.

The Bank promotes an anti-fraud risk culture by adopting the following principles:

- Commitment to the principles of integrity, accountability and to an environment of sound governance which includes robust internal controls;
- Commitment to a culture that safeguards public funds and property in order to protect shareholder interest;
- Zero tolerance approach to fraudulent and/or unethical conduct and hold all employees accountable for their actions; and
- Consistent handling of all cases regardless of positions held, connections to authorities, nationality or length of services.

6.3 Policy on Promotions

The Bank is committed to fostering ongoing education, professional and personal development and career advancement of our employees.

The Bank recognises that, in the course of meeting objectives, the duties and functions of its employees may change in complexity and responsibility and promotions are given pursuant to increased responsibility levels but subject to exceptional past performance. The added benefits of a promotion serve as an incentive for better work performance, enhance morale and create a sense of individual achievement and recognition.

A promotion may occur through:

1. A reclassification of an employee's existing position as a result of the employee performing duties at a higher degree of responsibility and complexity than the current classification calls for; or
2. The filling of a higher level vacancy (in the event of a vacancy, the Bank will first look internally for suitable candidates and no external advertisement of the vacancy shall run unless and until exhausting all internal recruitment avenues).

Corporate Governance
continued

For promotion through the filling of a higher level vacancy, employees need only satisfy the qualifications as specified in the job description for the vacant position (and not the qualities, skills or knowledge of the incumbent) and are eligible for promotion:

1. Pursuant to successful completion of the probation period specified by the conditions of employment;
2. Pursuant to exceptional semi-annual and annual performance appraisals; and
3. Regardless of age, gender, nationality or religion.

6.4 Penalties or Fines Imposed on the Bank by Regulatory Authorities

Penalties imposed on the Bank in 2014 by QCB amounted to QAR 140,000.

6.5 Material Issues Regarding the Bank's Employees and Stakeholders

There are no material issues regarding the Bank's employees and stakeholders to be disclosed in this report.

6.6 Corporate Social Responsibility

The Bank, as a responsible corporate citizen, recognises its social responsibility to integrate business values and operations to meet the expectations and needs of its stakeholders.

Commerce + Conscience + Compassion = Corporate Social Responsibility

The Bank is committed to promoting sustainable development, protecting and conserving human life, health, natural resources and the environment and adding value to the communities in which it operates. In so doing, the Bank recognises the importance of both financial and non-financial commitment and contribution.

How the Bank Behaves

a. Stakeholder Engagement – establishing relationships with stakeholders and communities and soliciting their input and involvement on critical issues.
b. Health and Safety – conducting business with a high regard for the health and safety of employees, contractors and the communities including following local and best practice health and safety guidelines and standards.
c. Environmental Stewardship – operating in a safe and environmentally responsible manner and minimising the impact of operations on the environment, including by reducing waste.

What the Bank Invests in

a. Community Development – sustainable programmes to improve quality of life in the community.
b. Education and Training – programmes and learning opportunities to develop a skilled, competitive workforce.
c. Corporate Citizenship – philanthropic, social development and volunteer programs, community service projects, humanitarian works, arts and sports.

What the Bank Influences and Promotes

a. Human Rights – respect and protection of fundamental human and worker rights, including ensuring a discrimination-free work environment; equal opportunities; no racism of any form; no harassment of any form; regulated working hours and paid holidays; fair compensation and the principal of 'equal pay for equal work' for men and women.
b. Rule of Law – respect of local laws and promotion of the principles of justice, fairness and equality.
c. Transparency – promotion of openness in all business dealings.
d. High Performance – high performance team culture and a collaborative, supportive work environment where employees are encouraged to reach their full professional potential.

What the Bank Believes in

Code of Business Conduct – conducting business honestly and with integrity, maintaining ethical behaviour in all operations, including fighting all forms of corruption. Enforcing strict principles of corporate governance and supporting transparency in all operations.

The Bank supports many charities and NGOs and actively promotes creative projects and activities useful to society. In addition to broad support of sports and cultural and charitable activities, the Bank focuses its CSR programme on the promotion of Qatari youth development and related educational activities. In so supporting, the Bank strives to be more than a financial sponsor and is committed to engaging in a broad range of CSR activities to establish a long-standing and sustainable social platform, enabling positive change within the community. The ultimate objective of the Bank's CSR activities is to foster relationships that enhance community spirit in a responsible manner by contributing to the development of the nation and its communities for the benefit of Qatar's future generations.

6.7 Environmental Policy

The Bank is committed to protecting the natural resources and environments of the communities in which we serve and operate and minimising the impact of the Bank's activities on the environment.

In keeping with these beliefs and commitments, the Bank endeavours to ensure that all management and employees comply with the following environmental policies:

1. Conduct business in an environmentally responsible manner;
2. Comply with all applicable environmental laws and regulations;
3. Make environmental concerns an integral part of the planning and decision making process;
4. Control environmental impacts and prevent or minimise pollution, including operating a paperless environment;
5. Educate management and employees to be accountable for environmental stewardship;
6. Promote the efficient use of resources and reducing (and where possible eliminating) waste through recycling and pursuing opportunities to reuse waste;
7. Ensure the proper handling and disposal of all waste;
8. Assess the environmental condition of property interest acquired by the Bank and appropriately address the environmental impacts caused by these properties;
9. Support research and development of programmes and technologies aimed at minimising the environmental impacts of company operations; and
10. Notify the Board of any pertinent environmental issues.

6.8 Health Policy

The Bank, recognising that good health and safety management has positive benefits to an organisation, is committed to providing and maintaining a healthy, safe and secure working environment for all employees.

The Bank is committed to:

1. Ensuring the health, safety, security and welfare of all its employees whilst at work;
2. Ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety;
3. Identifying hazards, assessing risks and managing those risks;
4. Maintaining arrangements for ensuring the safe use, handling, storage and transport of articles and substances; and
5. Encouraging the development and maintenance of a positive attitude towards health and safety throughout the Bank.

The Bank maintains comprehensive Fire, Health and Safety policies and provides extensive Medical Insurance through an internationally recognised insurance provider for the benefit of all permanent staff.

6.9 Code of Ethics

The Bank-wide Code of Ethics serves as a guide to the everyday professional conduct of its employees. The Code covers all applicable laws and regulations and the highest standards of business ethics that the Bank's employees should be aware of and comply within the conduct of their day-to-day business activities. In addition to the Bank-wide Code of Ethics, the standards of conduct expected from the Board are also covered in the Board Charter. The Code extends to the Bank's subsidiaries and outsourced staff and covers the following specific issues:

- Compliance with laws and regulations;
- Board and employee conduct;
- Restrictions on acceptance of gifts or commissions;
- Avoidance of conflict of interest;
- Quality service and operational efficiency;
- Protection and proper use of company assets;
- Prohibition on insider trading;
- Media relations and publicity;
- Whistle-blowing;
- Relations between employees and the Bank;
- Use of proprietary and insider information and stakeholder information;
- Employee information and privacy; and
- Respect for human rights and prohibition of discrimination within the workplace.

Abdullah bin Ali bin Jabor Al Thani
Chairman

Financial Report 2014

Financial Report 2014

Contents

Independent Auditors' Report

to the shareholders of Commercial Bank of Qatar (Q.S.C.)

Report on the consolidated financial statements

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

Board of Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Report on other legal and regulatory requirements

We have obtained all the information and explanations we considered necessary for the purposes of our audit. The Bank has maintained proper accounting records and its consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the provisions of the Qatar Central Bank Law No. 13 of 2012 and of the Qatar Commercial Companies Law No. 5 of 2002 or the terms of the Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position as at 31 December 2014.

Gopal Balasubramaniam
Partner, KPMG
Qatar Auditor's Registry No. 251

09 February 2015
Doha, State of Qatar

Consolidated Statement of Financial Position

Figures in thousand Qatar Riyals

As at 31 December	Notes	2014	2013
ASSETS			
Cash and balances with central banks	8	6,940,968	6,902,547
Due from banks	9	15,493,763	15,177,969
Loans and advances to customers	10	72,541,236	66,862,544
Investment securities	11	11,621,238	14,706,294
Investment in associates	12	4,446,826	4,198,469
Property and equipment	13	1,310,515	1,283,186
Intangible assets	14	859,923	996,486
Other assets	15	2,437,879	2,984,370
TOTAL ASSETS		**115,652,348**	113,111,865
LIABILITIES			
Due to banks	16	14,124,506	12,599,210
Customer deposits	17	61,561,219	63,419,931
Debt securities	18	9,544,796	9,759,667
Other borrowings	19	9,339,678	7,345,717
Other liabilities	20	3,386,036	3,432,245
TOTAL LIABILITIES		**97,956,235**	96,556,770
EQUITY			
Share capital	21(a)	2,969,356	2,474,464
Legal reserve	21(b)	8,820,294	8,820,259
General reserve	21(c)	26,500	26,500
Risk reserve	21(d)	1,708,632	1,316,300
Fair value reserves	21(e)	91,003	(146,525)
Foreign currency translation reserve		(411,131)	(232,988)
Other reserves	21(f)	1,098,090	835,840
Other equity	39	(723,721)	(512,761)
Retained earnings		1,449,313	1,381,870
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**15,028,336**	13,962,959
Non-controlling interests		667,777	592,136
Instrument eligible for additional capital	21(i)	2,000,000	2,000,000
TOTAL EQUITY		**17,696,113**	16,555,095
TOTAL LIABILITIES AND EQUITY		**115,652,348**	113,111,865

The consolidated financial statements were approved by the Board of Directors on 9 February 2015 and were signed on its behalf by:

Sheikh Abdullah Bin Ali Bin Jabor Al Thani	**Mr. Hussain Ibrahim Alfardan**	**Mr. Abdulla Saleh Al Raisi**
Chairman	Vice Chairman & Managing Director	Chief Executive Officer

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Income Statement

Figures in thousand Qatar Riyals

For the year ended 31 December	Notes	2014	2013
Interest income	24	4,641,111	3,607,146
Interest expense	25	(2,060,445)	(1,418,787)
Net interest income		**2,580,666**	2,188,359
Fee and commission income	26	1,170,253	852,473
Fee and commission expense	27	(290,641)	(176,883)
Net fee and commission income		**879,612**	675,590
Net foreign exchange gain	28	119,656	179,388
Income from investment securities	29	185,470	209,534
Other operating income	30	137,065	181,025
Net operating income		**3,902,469**	3,433,896
Staff costs	31	(832,467)	(684,700)
Depreciation	13	(143,261)	(140,473)
Amortization of intangible assets	14	(52,657)	(3,252)
Impairment loss on investment securities	11	(49,811)	(109,937)
Net impairment loss on loans and advances to customers	10	(622,818)	(603,967)
Other expenses	32	(591,962)	(608,742)
Profit before share of results of associates		**1,609,493**	1,282,825
Share of results of associates	12	381,166	324,933
Profit before tax		**1,990,659**	1,607,758
Income tax expenses		(50,446)	(2,380)
Profit for the year		**1,940,213**	1,605,378
Attributable to:			
Equity holders of the Bank		**1,880,316**	1,604,485
Non-controlling interests		59,897	893
Profit for the year		**1,940,213**	1,605,378
Earnings per share			
Basic/diluted earnings per share (QAR per share)	33	**5.93**	5.40

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Figures in thousand Qatar Riyals

For the year ended 31 December	Notes	2014	2013
Profit for the year		**1,940,213**	1,605,378
Other comprehensive income for the year:			
Items that are or may be subsequently reclassified to profit or loss:			
Foreign currency translation differences for foreign operation	22	(239,955)	(232,988)
Share of other comprehensive income of investment in associates	22	(6,392)	(17,924)
Net movement in fair value of available-for-sale investments	22	243,920	(291,826)
Other comprehensive income for the year		**(2,427)**	(542,738)
Total comprehensive income for the year		**1,937,786**	1,062,640
Attributable to:			
Equity holders of the Bank		1,939,701	1,061,747
Non-controlling interests		(1,915)	893
Total comprehensive income for the year		**1,937,786**	1,062,640

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Figures in thousand Qatar Riyals

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Other equity	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instrument eligible for additional capital	Total equity
Balance as at 1 January 2014		2,474,464	8,820,259	26,500	1,316,300	(146,525)	(232,988)	835,840	(512,761)	1,381,870	13,962,959	592,136	2,000,000	16,555,095
Total comprehensive income for the year														
Profit for the year		-	-	-	-	-	-	-	-	1,880,316	1,880,316	59,897	-	1,940,213
Other comprehensive income		-	-	-	-	237,528	(178,143)	-	-	-	59,385	(61,812)	-	(2,427)
Total comprehensive income for the year		-	-	-	-	237,528	(178,143)	-	-	1,880,316	1,939,701	(1,915)	-	1,937,786
Transfer to risk reserve	21(d)	-	-	-	392,332	-	-	-	-	(392,332)	-	-	-	-
Dividend for instrument eligible for additional capital	21(i)	-	-	-	-	-	-	-	-	(120,000)	(120,000)	-	-	(120,000)
Net movement in other reserves	21(f)	-	-	-	-	-	-	262,250	-	(262,250)	-	-	-	-
Social and sports fund appropriation	23	-	-	-	-	-	-	-	-	(48,505)	(48,505)	-	-	(48,505)
Transactions with equity holders of the bank recognised directly in equity														
Contributions by and distributions to equity holders of the bank:														
Increase in share capital		-	-	-	-	-	-	-	-	-	-	80,555	-	80,555
Increase in legal reserve		-	35	-	-	-	-	-	-	-	35	-	-	35
Dividends declared for the year 2013	21(h)	-	-	-	-	-	-	-	-	(494,894)	(494,894)	-	-	(494,894)
Bonus issue	21(a)	494,892	-	-	-	-	-	-	-	(494,892)	-	-	-	-
Put option on non-controlling interest	39	-	-	-	-	-	-	-	(210,960)	-	(210,960)	-	-	(210,960)
Total contributions by and distributions to equity holders of the bank		494,892	35	-	-	-	-	-	(210,960)	(989,786)	(705,819)	80,555	-	(625,264)
Net movement in non-controlling interest		-	-	-	-	-	-	-	-	-	-	(2,999)	-	(2,999)
Balance as at 31 December 2014		**2,969,356**	**8,820,294**	**26,500**	**1,708,632**	**91,003**	**(411,131)**	**1,098,090**	**(723,721)**	**1,449,313**	**15,028,336**	**667,777**	**2,000,000**	**17,696,113**

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity continued

Figures in thousand Qatar Riyals

	Notes	Share capital	Legal reserve	General reserve	Risk reserve	Fair value reserves	Foreign currency translation reserve	Other reserves	Other equity	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Instrument eligible for additional capital	Total equity
Balance as at 1 January 2013		2,474,464	8,740,540	26,500	924,600	163,225	-	673,604	-	1,936,445	14,939,378	-	-	14,939,378
Total comprehensive income for the year														
Profit for the year		-	-	-	-	-	-	-	-	1,604,485	1,604,485	893	-	1,605,378
Other comprehensive loss		-	-	-	-	(309,750)	(232,988)	-	-	-	(542,738)	-	-	(542,738)
Total comprehensive income for the year		-	-	-	-	(309,750)	(232,988)	-	-	1,604,485	1,061,747	893	-	1,062,640
		-												
Transfer to risk reserve	21(d)	-	-	-	391,700	-	-	-	-	(391,700)	-	-	-	-
Instrument eligible for additional capital	21(h)	-	-	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000
Net movement in legal and other reserves		-	79,719	-	-	-	-	162,236	-	(241,955)	-	-	-	-
Social and sports fund appropriation	23	-	-	-	-	-	-	-	-	(40,135)	(40,135)	-	-	(40,135)
Transactions with equity holders of the bank recognised directly in equity														
Contributions by and distributions to equity holders of the bank:		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared for the year 2012	21(h)	-	-	-	-	-	-	-	-	(1,484,678)	(1,484,678)	(7,810)	-	(1,492,488)
Put option on non-controlling interest	39	-	-	-	-	-	-	-	(512,761)	-	(512,761)	-	-	(512,761)
Total contributions by and distributions to equity holders of the bank		-	-	-	-	-	-	-	(512,761)	(1,484,678)	(1,997,439)	(7,810)	-	(2,005,249)
Net movement in non-controlling interest		-	-	-	-	-	-	-	-	(592)	(592)	599,053	-	598,461
Balance as at 31 December 2013		2,474,464	8,820,259	26,500	1,316,300	(146,525)	(232,988)	835,840	(512,761)	1,381,870	13,962,959	592,136	2,000,000	16,555,095

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Figures in thousand Qatar Riyals

For the year ended 31 December	Notes	2014	2013
Cash flows from operating activities			
Profit for the year before income tax		1,990,659	1,607,758
Adjustments for:			
Net impairment loss on loans and advances to customers	10 (c)	622,818	603,967
Impairment loss on investment securities	11 (c)	49,811	109,937
Depreciation	13	143,261	140,473
Amortization of intangible assets	14	52,657	3,252
Amortization of transaction costs on borrowings	18&19	27,850	21,742
(Gain) / loss on investment securities at fair value through profit or loss	29	(2,179)	2,770
Net gain on disposal of available-for-sale investments	29	(166,787)	(193,450)
Gain on disposal of property and equipment		(138)	-
Gain on disposal of other assets		(16,964)	(31,944)
Share of results of associates	12	(381,166)	(324,933)
Operating profit before working capital changes		**2,319,822**	1,939,572
Working capital changes			
Change in due from banks		(2,613,438)	(1,943,821)
Change in loans and advances to customers		(7,658,614)	(8,833,156)
Change in other assets		336,868	(1,096,323)
Change in due to banks		1,694,420	663,905
Change in customer deposits		(1,010,400)	14,879,996
Change in other liabilities		(150,517)	681,774
Contribution to social and sports fund		(40,135)	(50,307)
Cash (used in) / from operations		**(7,121,944)**	6,241,640
Income tax paid		(44,015)	(130)
Net cash (used in) / from operating activities		**(7,166,009)**	6,241,510
Cash flows from investing activities			
Acquisition of investment securities		(11,035,104)	(9,949,548)
Proceeds from redemption of capital from investment in associate		7,500	-
Dividend received from associates		118,916	162,697
Acquisition of a subsidiary, net of cash acquired		-	(1,112,787)
Proceeds from sale/maturity of investment securities		14,257,835	8,781,890
Acquisition of property and equipment	13	(176,354)	(187,790)
Acquisition of intangible assests		(7,031)	-
Proceeds from the sale of property and equipment		909	-
Proceeds from the sale of other assets		16,964	151,000
Net cash from / (used in) investing activities		**3,183,635**	(2,154,538)
Cash flows from financing activities			
Proceeds from issue of debt securities	18	4,064,863	515,870
Repayment of debt securities	18	(4,020,435)	(563,265)
Repayment of other borrowings	19	(4,425,817)	(2,407,427)
Proceeds from other borrowings	19	6,835,137	4,014,764
Proceeds from issue of instrument eligible for additional capital		-	2,000,000
Dividends paid		(494,892)	(1,492,488)
Net cash from financing activities		**1,958,856**	2,067,454
Net (decrease) / increase in cash and cash equivalents		(2,023,518)	6,154,426
Effect of exchange rate fluctuations		(91,479)	(100,337)
Cash and cash equivalents as at 1 January		14,864,674	8,810,585
Cash and cash equivalents as at 31 December	35	**12,749,677**	14,864,674
Net cash flows from operating activities:			
Interest paid		1,158,924	1,173,089
Interest received		3,162,607	3,053,973
Dividend received		16,504	18,854

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. REPORTING ENTITY

The Commercial Bank of Qatar (Q.S.C.) ("the Bank") is an entity domiciled in the State of Qatar and was incorporated in 1974 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration number of the Bank is 150. The address of the Bank's registered office is PO Box 3232, Doha, State of Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as "the Group"). The Group is primarily engaged in conventional banking, brokerage services and credit card business and operates through its head office, subsidiraries and branches.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Capital	Activity	Percentage of ownership 2014	2013
Alternatifbank A.S. ("ABank")	Turkey	TRY 620,000,000	Banking services	74.24%	74.24%
Commercial Bank Investment Services (S.P.C.)	Qatar	QAR 100,000,000	Brokerage services	100%	100%
Orient1 Limited	Bermuda	US$ 20,000,000	Holding Company	100%	100%
Global Card Services L.L.C.	Sultanate of Oman	OMR 500,000	Credit card business	100%	100%
CBQ Finance Limited	Bermuda	US$ 1,000	Debt issuance for the Bank	100%	100%

2. BASIS OF PREPARATION

(a) Statement of compliance

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

The Group presents its consolidated statement of financial position broadly in the order of liquidity. An analysis regarding recovery or settlement within twelve months after the end of reporting date ("current") and more than twelve months after the reporting date ("non-current") is presented in Note 4(c) (iii).

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following account balances that are measured at fair value:

- investment securities designated at fair value through income statement;
- derivatives;
- available-for-sale investments; and
- the carrying values of recognised assets and liabilities that are hedged items in quantifying fair value hedges, and otherwise carried at amortised cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in note 3(z), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

(a) Basis of consolidation

(i) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

(ii) Non-controlling interests (NCI)

In accordance with IFRS 3R, for each business combination, the acquirer can measure, at the acquisition date, components of NCI in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at either:

(a) fair value on the acquisition date; or
(b) the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

NCI is measured only on initial recognition. The Group measures the NCI at fair value, including its share of goodwill.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

The accounting policies of subsidiaries are consistent with the accounting policies adopted by the Group.

(iv) Transactions eliminated on consolidation

Intra-group balances, and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) Associates

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

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

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

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

(vi) Funds management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements except when the Group controls the entity. Information about the Group's funds management is set out in Note 37.

(vii) Put option on non-controlling interests (NCI)

The fair value of the put option on the NCI is calculated as the present value of the redemption amount in accordance with IAS 32 is recognised as a liability, regardless of the probability of exercise, as this is not within the Group's control. This put option does not affect the goodwill and NCI valuation as it is recorded separately within equity. If the put option expires without exercising, this recorded value would be reversed.

This puttable instrument on NCI relates to the acquisition of Alternatifbank A.S. ("ABank") is recognised as a liability with the debit recognised in 'Other Equity'. Subsequent changes in the fair value are recognised through equity.

(b) Foreign currency

(i) Foreign currency transactions and balances

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

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

The gains and losses on revaluation of foreign currency non-monetary available-for-sale investments are recognised in the consolidated statement of changes in equity.

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

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency (continued)

(ii) Foreign operations

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates (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 dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are reported in equity and NCI as 'foreign currency translation reserve". When the Group has any foreign operation that is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign exchange translation reserve in equity.

(c) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Group initially recognises loans and advances to customers, due from / to banks, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

(ii) Classification

Financial assets

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

- loans and receivables (LaR);
- held to maturity (HTM);
- available-for-sale (AFS); and
- at fair value through profit or loss (FVTPL), either as: held for trading; or FVTPL on initial designation

Financial assets held for trading

A financial asset is classified as held-for-trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recongnition, part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or
- a derivative, except for a derivative that is a designated and effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification (continued)

Financial assets designated as at FVTPL

In addition to financial assets held for trading, financial assets are classified in the FVTPL category on initial recognition, to designate such instruments as a FVTPL using the fair value option in one of the following circumstances:

When doing so results in more relevant information because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would result from measuring assets or liabilities or recognising gains or losses on them on different bases (an "accounting mismatch"); or
- a group of financial assets or liablities (or both) is managed and its performance is evaluated on a fair value basis in accordance with the entity's document risk management or investment strategy and information is provided by key management personnel on this basis.

Financial liabilities

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

(iii) Derecognition

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

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

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

(iv) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Measurement principles

(i) Amortised cost measurement

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

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

(v) Measurement principles (continued)

(ii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(iii) Identification and measurement of impairment

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

(v) Measurement principles (continued)

(iii) Identification and measurement of impairment (continued)

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

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

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

In subsequent periods, the appreciation of fair value of previously impaired available-for-sale equity investment securities is recorded in fair value reserve.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents include amounts due from banks and with an original maturity of 90 days or less.

(e) Loans and advances to customers

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

Loans and advances to customers, cash and balances with central banks and due from banks are classified as 'loans and receivables'.

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

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investment securities

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

(i) Held-to-maturity financial assets

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

(ii) Fair value through profit or loss

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

(iii) Available-for-sale financial investments

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

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

Other fair value changes are recognised in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognised in other comprehensive income are transferred to profit or loss.

(g) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting

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

Fair value hedges

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Derivatives (continued)

(i) Derivatives held for risk management purposes and hedge accounting (continued)

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to profit or loss as a reclassification adjustment.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'Other gains/ (losses) – net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'Other gains/ (losses) – net'.

(ii) Derivatives held for trading purposes

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

(h) Property and equipment

(i) Recognition and measurement

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

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

Buildings	20 years
Leasehold improvements	6 - 10 years
Furniture and equipment	3 - 8 years
Motor vehicles	5 years

(i) Impairment of goodwill and intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Intangible assets

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Provisions

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

(l) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and this initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(m) Employee benefits

Defined contribution plans

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

Defined benefit plan

The Bank makes provision for end of service benefits payable to its expatriate employees on the basis of the employees' length of service in accordance with the employment policy of the Bank and the applicable provisions of the Labour Law. This provision is included in other provisions as part of other liabilities in the consolidated statement of financial position. The expected costs of these benefits are accrued over the period of employment.

ABank (the Bank's subsidiary), under Turkish Labour Law, is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires. There are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary subject to a maximum threshold per employee for each year of service. There are no agreements for pension commitments other than the legal requirement as explained above. The liability is not funded, as there is no funding requirement

Short-term employee benefits

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

(n) Share capital and reserves

(i) Share issue costs

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

(ii) Dividends on ordinary shares

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

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading, are recognized within 'interest income' and 'interest expense' using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(p) Fee and commission income and expense

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

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

(q) Income from investment securities

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

Unrealised gains or losses on fair value changes from remeasurement of investment securities classified as held for trading or designated as fair value through profit or loss are recognised in profit or loss.

(r) Dividend income

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

(s) Income tax expenses

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are exempted from income tax.

(t) Earnings per share

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

(u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Chief Executive Officer of the Bank as its chief operating decision maker.

All transactions between operating segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated in head office. Income and expenses directly associated with each segment are included in determining operating segment performance.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporate and other institutions. These assets and income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

(w) Repossessed collateral

Repossessed collaterals in settlement of customers' debts are stated under "Other assets". According to QCB instructions, the Group should dispose of any land and properties acquired in settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended with the approval of QCB.

(x) Comparatives

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

(y) Parent financial information

Statement of financial position and income statement of the Parent, disclosed as supplementary information, are prepared following the same accounting policies as mentioned above except for; investment in subsidiaries and associates which are not consolidated and are carried at cost; and, any dividends received from subsidiaries and associates are recognised in the income statement.

(z) New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2014

The following standards, amendments and interpretations, which became effective as of 1 January 2014, and are relevant to the Group:

a) Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The Group concluded that it does not meet the definition of an "investment entity" and hence the above amendments are not applicable to the Group.

b) Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

The adoption of this amendment had no significant impact on the consolidated financial statements.

c) Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The application of these amendments at the Group level had no material impact on the disclosures in the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New standards, amendments and interpretations (continued)

d) Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The amendments have been applied retrospectively.

The adoption of this amendment had no significant impact on the consolidated financial statements.

e) IFRIC 21 Levies

IFRIC 21 on Levies (amendments to IAS 32) provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy.

The Group is not expecting a significant impact from the adoption of these amendments.

New standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2014 and their likely impact on the consolidated financial statements for the Group

A number of new standards, amendments to standards and interpretations which have been issued but are not effective for the year ended 31 December 2014 and have not been applied in preparing these consolidated financial statements were as follows.

a) IFRS 9 - Financial Instruments

IFRS 9 published in July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.

b) IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

c) Amendments to IFRS 11- Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New standards, amendments and interpretations (continued)

d) Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted if the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The above amendment does not have any material impact on the consolidated financial statements of the Group.

e) Amendments to IAS 16 and IAS 41

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted.

f) Amendments to IAS 19 Defined Benefit Plans: *Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to define benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognize the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees periods of service using the project unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees periods of service.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application.

The Group did not early adopt any standards or interpretations.

g) Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle

The annual improvements to IFRSs to 2010-2012 and 2011 -2013 cycles include a number of amendments to various IFRSs. Most amendments will apply prospectively for annual periods beginning on or after 1 July 2014; earlier application are permitted (along with the special transitional requirement in each case), in which case the related consequential amendments to other IFRSs would also apply.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application.

The following are the key amendments in brief:

- The amendments to **IFRS 2** changes the definitions of "vesting condition" and "market condition" ; and add definitions for "performance condition" and "service condition" which were previously included in the definition of vesting condition.

- The amendments to **IFRS 3** clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognized in profit or loss. IAS 37 Provisions, Contingent Liabilities and Contingent Assets is amended to exclude provisions related to contingent consideration. IFRS 3 is also not applicable to the accounting for the formation of all types of joint arrangements in IFRS 11 Joint Arrangements (including joint operations) in the financial statements of joint arrangements themselves.

Notes to the Consolidated Financial Statements continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) New standards, amendments and interpretations (continued)

g) Annual improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle (continued)

- **IFRS 8** has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include:

  - a brief description of the operating segments that have been aggregated; and
  - the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics.

In addition, this amendment clarifies that a reconciliation of the total of the reportable segments assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker.

- The IASB has clarified that, in issuing **IFRS 13** and making consequential amendments to **IAS 39 and IFRS 9**, it did not prevent entities from measuring short term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is not material. IFRS 13 has also been amended to clarify that portfolio exception applies to contracts in the scope of IAS 39 and IFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under IAS 32.

- The amendments to **IAS 16 and IAS 38** remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses. The accumulated depreciation (amortization) is eliminated against the gross carrying amount of the asset.

- The amendments to **IAS 24** clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of IAS 24.

IAS 40 has been amended to clarify that an entity should:

- assess whether an acquired property is an investment property under IAS 40; and
- perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

Entities will still need to use judgement to determine whether the acquisition of an investment property is an acquisition of a business under IFRS 3.

4. FINANCIAL RISK MANAGEMENT

(a) Introduction and overview

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

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

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Introduction and overview (continued)

Financial instruments
Financial instruments comprise the Group's financial assets and liabilities. Financial assets include cash and balances with Central banks, due from banks, loans and advances, investment securities, derivative financial assets and certain other assets and financial liabilities include customer deposits, borrowings under repurchase agreements and due to banks, debt issued and other borrowed funds, derivative financial liabilities and certain other liabilities. Financial instruments also include rights and commitments included in off-balance sheet items.

Note 3(c) describes the accounting policies followed by the Group in respect of recognition and measurement of the key financial instruments and their related income and expense.

Risk management
The Group derives its revenue from assuming and managing customer risk for profit. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Credit risk reflects the possible inability of a customer to meet his/her repayment or delivery obligations. Market risk, which includes foreign currency, interest rate risks and other price risks, is the risk of fluctuation in asset and commodity values caused by changes in market prices and yields. Liquidity risk results in the inability to accommodate liability maturities and withdrawals, fund asset growth or otherwise meet contractual obligations at reasonable market rates. Operational risk is the potential for loss resulting from events involving people, processes, technology, legal issues, external events or execution or regulatory issues.

The Group's Market Risk and Structural Risk Management policies envisage the use of interest rate derivative contracts and foreign exchange derivative contracts as part of its asset and liability management process.

Risk and other committees
The governance structure of the Group is headed by the Board of Directors. The Board of Directors evaluates risk involving the Chief Executive Officer and the following Board and Management Committees:

1) Board Risk Committee is responsible for all aspects of Enterprise Risk Management including but not restricted to credit risk, market risk, and operational risk. This committee sets the policy on all risk issues and maintains oversight of all Group risks through the Management Risk Committee.

2) Board Audit Committee is responsible for setting the policy on all Audit issues and maintains oversight of all Bank audit issues through the Management Audit Committee. In addition, it is also responsible for Compliance & Anti-Money Laundering.

3) Policy, Strategy and Governance Committee is a Board committee which is responsible for all policies and strategies of the business and compliance of corporate Governance.

4) Board Executive Committee is responsible for evaluating and granting credit facilities and approval of the Group's investment activities within authorized limits per Qatar Central Bank and Board of Directors' guidelines.

5) Management Credit Committee is the third highest-level authority on all Counterparty Credit Risk Exposures, after the Board of Directors and Board Executive Committee. The Committee exercises the powers as conferred upon it by the Delegation of Authority ("DoA") for Corporate Credit as approved by the Board.

6) Management Risk Committee is the highest management authority on all risk related issues in the Group and its subsidiaries and affiliates in which it has strategic investments. This committee provides recommendations on all risk policy and portfolio issues to the Board Risk Committee.

7) Asset and Liability Committee (ALCO) is a management committee which is a decision making body for developing policies relating to Asset and Liability management. (i.e. balance sheet structure, funding, pricing, hedging, setting limits etc) Under the overall risk management framework, ALCO is a key component of risk management within the Bank.

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Introduction and overview (continued)

Risk and other committees (continued)

8) Investment Committee (IC) is the decision making committee for Cb's investment activities, with a view to optimize returns, ensuring that the investment book provides a liquidity buffer for the bank and mitigate market risk attached to the nature of targeted investment.

9) Special Assets Management (SAM) Committee is the authority for management of all Special Assets (SA) to minimize risks, prevent losses, maximize recoveries and restore profits through rehabilitation, restructuring, workout, collection or legal actions.

10) Crisis Management Committee (CMC) is the authority for management of a crisis entailing, prevention, planning, testing, evaluation and maintenance to mitigate and minimize the consequences.

(b) Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit risk is attributed to both on-balance sheet financial instruments such as loans, overdrafts, debt securities and other bills, investments, and acceptances and credit equivalent amounts related to off-balance sheet financial instruments. The Group's approach to credit risk management preserves the independence and integrity of risk assessment, while being integrated into the business management processes. Policies and procedures, which are communicated throughout the organisation, guide the day-to-day management of credit exposure and remain an integral part of the business culture. The goal of credit risk management is to evaluate and manage credit risk in order to further enhance this strong credit culture.

(i) Credit risk measurement

1. Loans and advances

The Group's aim is to maintain a sound asset portfolio by enhancing its loan mix. This is being achieved through a strategy of reducing exposure to non-core client relationships while increasing the size of the consumer portfolio comprising of consumer loans, vehicle loans, credit cards and residential mortgages, which have historically recorded very low loss rates. In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Group reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Group derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

(i) The Group assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They combine statistical analysis along with the business relationship officers and credit risk officers assessment and are validated, where appropriate, by comparison with externally available data. Clients of the Group are segmented based on a 10 point rating scale. The Group's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

The ratings of the major rating agency are mapped to Group's rating grades based on the long-term average default rates for each external grade. The Group uses the external ratings where available to benchmark internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

(ii) Exposure at default is based on the amounts the Group expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) Loss given default or loss severity represents the Group's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Credit risk measurement (continued)

2. Debt securities and other bills

For debt securities and other bills, external ratings such as Standard & Poor's and Moody's ratings or their equivalents are used by Group Treasury for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

(ii) Risk limit control and mitigation policies

Portfolio diversification

Portfolio diversification is an overriding principle, therefore, the credit policies are structured to ensure that the Group is not over exposed to a given client, industry sector or geographic area. To avoid excessive losses if any single counter-party is unable to fulfil its payment obligations, large exposure limits have been established per credit policy following the local regulations. Limits are also in place to manage exposures to a particular country or sector. These risks are monitored on an ongoing basis and subject to an annual or more frequent review, when considered necessary.

Collateral

In order to proactively respond to credit deterioration, the Group employs a range of policies and practices to mitigate credit risk.

The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as at the reporting date. With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honours its obligation but the counterparty fails to deliver the counter-value.

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Figures in thousand Qatar Riyals

	2014	2013
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	6,258,314	6,281,842
Due from banks	15,493,763	15,177,969
Loans and advances to customers	72,541,236	66,862,544
Investment securities - debt	10,800,524	13,804,728
Other assets	1,123,417	1,746,772
Total as at 31 December	**106,217,254**	103,873,855
Other credit risk exposures are as follows:		
Guarantees	21,449,106	18,569,021
Letter of credit	4,046,513	5,408,175
Unutilised credit facilities	6,156,369	7,980,374
Total as at 31 December	**31,651,988**	31,957,570
	137,869,242	135,831,425

The above table represents a worse-case scenario of credit risk exposure to the Group, without taking account of any collateral held or other credit enhancements attached.

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

Geographical sectors

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

Figures in thousand Qatar Riyals

2014	**Qatar**	**Other GCC**	**Other Middle East**	**Rest of the world**	**Total**
Balances with central banks	4,287,298	-	1,971,016	-	6,258,314
Due from banks	3,082,722	4,476,771	2,175,690	5,758,580	15,493,763
Loans and advances to customers	54,055,200	3,201,501	14,764,923	519,612	72,541,236
Investment securities - debt	7,947,761	885,566	1,457,970	509,227	10,800,524
Other assets	549,928	57,815	388,699	126,975	1,123,417
	69,922,909	**8,621,653**	**20,758,298**	**6,914,394**	**106,217,254**

Figures in thousand Qatar Riyals

2013	Qatar	Other GCC	Other Middle East	Rest of the world	Total
Balances with central bank	4,291,936	-	1,989,906	-	6,281,842
Due from banks and financial institutions	3,209,250	3,050,475	1,805,186	7,113,058	15,177,969
Loans and advances to customers	49,775,938	2,960,095	12,702,739	1,423,772	66,862,544
Investment securities - debt	9,203,373	771,590	3,178,332	651,433	13,804,728
Other assets	549,497	115,984	855,941	225,350	1,746,772
	67,029,994	6,898,144	20,532,104	9,413,613	103,873,855

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Figures in thousand Qatar Riyals

2014	**Qatar**	**Other GCC**	**Other Middle East**	**Rest of the world**	**Total**
Guarantees	7,779,080	2,547,735	2,645,223	8,477,068	21,449,106
Letter of credit	3,249,747	48,810	593,327	154,629	4,046,513
Unutilised credit facilities	3,878,649	910,050	1,332,775	34,895	6,156,369
	14,907,476	**3,506,595**	**4,571,325**	**8,666,592**	**31,651,988**

Figures in thousand Qatar Riyals

2013	Qatar	Other GCC	Other Middle East	Rest of the world	Total
Guarantees	5,844,124	2,113,014	3,551,414	7,060,469	18,569,021
Letter of credit	3,007,735	32,471	551,573	1,816,396	5,408,175
Unutilised credit facilities	5,942,265	728,050	1,226,104	83,955	7,980,374
	14,794,124	2,873,535	5,329,091	8,960,820	31,957,570

Industry sectors

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

Figures in thousand Qatar Riyals

	Gross exposure 2014	Gross exposure 2013
Funded		
Government	20,321,133	22,041,013
Government agencies	2,992,344	3,404,227
Industry	6,168,011	5,565,329
Commercial	11,259,543	11,090,974
Services	29,591,236	26,185,935
Contracting	6,755,481	5,919,606
Real estate	19,546,127	22,551,625
Consumers	7,775,635	5,557,729
Other Sectors	1,807,744	1,557,417
Total funded	**106,217,254**	103,873,855
Un-funded		
Government institutions & semi government agencies	2,013,008	3,087,077
Financial services	5,205,187	4,999,106
Commercial and others	24,433,793	23,871,387
Total un-funded	**31,651,988**	31,957,570
Total	**137,869,242**	135,831,425

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

Industry sectors (continued)
Total maximum exposure net of tangible collateral is QAR 64 billion (2013: QAR 65 billion). The types of collateral obtained include cash, mortgages over real estate properties and pledges of shares.

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

Figures in thousand Qatar Riyals

	2014	2013
Equivalent grades		
AAA to AA-	30,054,417	38,680,845
A+ to A-	11,573,752	10,729,303
BBB+ to BBB-	65,055,922	59,007,766
BB+ to B-	11,926,010	8,721,217
Unrated/ equivalent internal grading	19,259,141	18,692,294
	137,869,242	135,831,425

The majoirty of the unrated exposures represent credit facilities granted to corporations by the Group's subsidiary ABank.

(v) Credit quality

The following table sets out the credit qualities of the Group's credit exposure at carrying amounts before taking into account collateral held or other credit enhancements.

Figures in thousand Qatar Riyals

	Loans and advances to customers 2014	Loans and advances to customers 2013	Due from banks 2014	Due from banks 2013	Investment securities - debt 2014	Investment securities - debt 2013
Neither past due nor impaired:						
A: Low risk	22,176,228	19,790,475	8,707,085	12,109,357	9,731,770	12,901,973
B: Standard/satisfactory risk	47,570,032	42,574,300	6,786,678	3,068,612	1,068,754	902,755
	69,746,260	62,364,775	**15,493,763**	15,177,969	**10,800,524**	13,804,728
Past due but not impaired :						
A: Low risk	1,012,327	1,458,718	-	-	-	-
B: Standard/satisfactory risk	1,055,193	2,115,032	-	-	-	-
	2,067,520	3,573,750	**-**	-	**-**	-
Impaired:						
C: Substandard	317,152	1,260,271	-	-	-	-
D: Doubtful	253,547	47,146	-	-	-	-
E: Bad debts	2,256,530	1,188,483	-	-	104,526	125,421
	2,827,229	2,495,900	**-**	-	**104,526**	125,421
Less: impairment allowance- specific & collective	(2,099,773)	(1,571,881)	-	-	(104,526)	(125,421)
	727,456	924,019	**-**	-	**-**	-
Carrying amount – net	**72,541,236**	66,862,544	**15,493,763**	15,177,969	**10,800,524**	13,804,728

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

Figures in thousand Qatar Riyals

	2014	2013
Investment securities - debt		
Available-for-sale	10,787,029	13,742,056
Investment securities designated at fair value through income statement	118,021	188,093
Less: impairment allowance	(104,526)	(125,421)
Carrying amount – net	**10,800,524**	13,804,728

Note: None of the other assets are past due or impaired as at 31 December 2014 and 31 December 2013.

Impaired loans and advances to customers and investment in debt securities
Individually impaired loans and advances to customers and investment in debt securities are those instruments for which the Group determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

Investment in debt securities carried at fair value through profit or losses are not assessed for impairment but are subject to the same internal grading system, where applicable.

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

Loans and advances to customers less than 90 days as at 31 December past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

Figures in thousand Qatar Riyals

	2014	2013
Up to 30 days	1,440,755	3,072,893
31 to 60 days	252,722	293,145
Above 60 days	374,043	207,712
Gross	**2,067,520**	3,573,750

Rescheduled loans and advances to customers
Rescheduled activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts as non impaired. The carrying value of renegotiated loans and advances as at 31 December 2014 was QAR 5,835 million (2013: QAR 4,394 million).

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(vi) Collateral

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

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

The aggregate collateral is QAR 3,741 million (2013: QAR 1,282 million) for past due loans and advances to customers up to 30 days, QAR 537 million (2013: QAR 47 million) for past due from 31 to 60 days and QAR 365 million (2013: QAR 80 million) for past due above 60 days.

(vii) Repossessed collateral

During the year, the Group acquired ownership of land and building by taking possession of collateral held as security for an amount of QAR nil million (2013: QAR nil million).

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

(viii) Write-off policy

The Group writes off a loan or an investment in debt security balance, and any related allowances for impairment losses, when Group Credit determines that the loan or security is uncollectible. QCB approval is required for such write off when the amount to be written off exceeds Qatar Riyal hundred thousand.

This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 174 million (2013: QAR 210 million).

(c) Liquidity risk

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

(i) Management of liquidity risk

The management of liquidity risk is governed by the Group's liquidity policy. The primary objective of liquidity risk management; over which ALCO has oversight, is to provide a planning mechanism for unanticipated changes in the demand or needs for liquidity created by customer behaviour or abnormal market conditions. ALCO emphasises the maximisation and preservation of customer deposits and other funding sources. ALCO also monitors deposit rates, levels, trends and significant changes. Deposit marketing plans are regularly reviewed for consistency with the liquidity policy requirements. ALCO has in place a contingency plan, which is periodically reviewed. The Group's ability to raise wholesale and/or long term funding at competitive costs is directly impacted by the Bank's credit ratings, which are as follows:

Moody's: Long Term A1, Short Term P-1 and financial strength C-, outlook stable.
Fitch: Long Term A, Short Term F1 and Financial strength bbb, outlook stable.
Standard & Poor's: Long Term A-, Short Term A-2, outlook negative.

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(ii) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, QCB under the heading 'Liquidity adequacy ratio' (LAR). The minimum ratio limit set by QCB is 100%.

Following table sets out the LAR position of the Group during the year as follows:

	2014	2013
At 31 December	**106.89**	113.17
Average for the year	**107.02**	103.70
Maximum for the year	**110.91**	113.17
Minimum for the year	**103.32**	101.01

(iii) Maturity analysis

The following table sets out the maturity profile of the Group's assets and liabilities. The contractual/expected maturities of assets and liabilities have been determined on the basis of the remaining period at 31 December to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

Figures in thousand Qatar Riyals

	Carrying amount	**Demand / within 1 month**	**1-3 months**	**3 months – 1 year**	**Subtotal 1 year**	**1-5 years**	**More than 5 years**	**No Maturity**
31 December 2014								
Cash and balances with central banks	6,940,968	3,853,433	-	-	3,853,433	-	-	3,087,535
Due from banks	15,493,763	7,926,758	3,055,598	4,043,350	15,025,706	468,057	-	-
Loans and advances to customers	72,541,236	5,530,518	2,553,930	8,423,931	16,508,379	18,745,346	37,178,624	108,887
Investment securities	11,621,238	1,941,760	4,633	689,777	2,636,170	4,899,743	3,264,608	820,717
Investment in associates	4,446,826	-	-	-	-	-	-	4,446,826
Others assets	4,608,317	569,564	138,942	117,195	825,701	951,920	456,346	2,374,350
Total	**115,652,348**	**19,822,033**	**5,753,103**	**13,274,253**	**38,849,389**	**25,065,066**	**40,899,578**	**10,838,315**
Due to banks	14,124,506	12,880,923	629,951	-	13,510,874	613,632	-	-
Customer deposits	61,561,219	37,955,256	18,683,600	4,105,797	60,744,653	816,566	-	-
Debt securities	9,544,796	64,561	224,889	1,158,978	1,448,428	5,419,093	2,677,275	-
Other borrowings	9,339,678	156,511	4,077,880	3,314,574	7,548,965	1,790,713	-	-
Other liabilities	3,386,036	1,111,675	464,644	130,430	1,706,749	909,925	-	769,362
Total	**97,956,235**	**52,168,926**	**24,080,964**	**8,709,779**	**84,959,669**	**9,549,929**	**2,677,275**	**769,362**
Difference	**17,696,113**	**(32,346,893)**	**(18,327,861)**	**4,564,474**	**(46,110,280)**	**15,515,137**	**38,222,303**	**10,068,953**

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

Figures in thousand Qatar Riyals

31 December 2013	Carrying amount	Demand / within 1 month	1-3 months	3 months – 1 year	Subtotal 1 year	1-5 years	More than 5 years	No Maturity
Cash and balances with central bank	6,902,547	3,796,820	-	-	3,796,820	-	-	3,105,727
Due from banks	15,177,969	10,623,627	1,663,991	2,749,894	15,037,512	140,457	-	-
Loans and advances to customers	66,862,544	3,980,414	3,930,060	8,888,432	16,798,906	13,860,282	36,169,767	33,589
Investment securities	14,706,294	2,259,239	619,985	2,087,274	4,966,498	4,194,515	4,643,717	901,564
Investment in associates	4,198,469	-	-	-	-	-	-	4,198,469
Others assets	5,264,042	659,469	170,284	131,761	961,514	847,903	544,585	2,910,040
Total	113,111,865	21,319,569	6,384,320	13,857,361	41,561,250	19,043,157	41,358,069	11,149,389
Due to banks	12,599,210	10,985,322	954,955	45,500	11,985,777	613,433	-	-
Customer deposits	63,419,931	39,742,634	15,164,816	4,871,115	59,778,565	3,641,366	-	-
Debt securities	9,759,667	-	331,397	3,718,021	4,049,418	3,014,806	2,695,443	-
Other borrowings	7,345,717	172,743	2,541,924	3,490,211	6,204,878	1,135,373	5,466	-
Other liabilities	3,432,245	1,101,998	199,649	139,617	1,441,264	695,317	-	1,295,664
Total	96,556,070	52,002,697	19,192,741	12,264,464	83,459,902	9,100,295	2,700,909	1,295,664
Difference	16,555,095	(30,683,128)	(12,808,421)	1,592,897	(41,898,652)	9,942,862	38,657,160	9,853,725

(iv) Maturity analysis (financial liabilities and derivatives)

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

Figures in thousand Qatar Riyals

31 December 2014	**Carrying amount**	**Gross undiscounted cash flows**	**Less than 1 month**	**1-3 months**	**3 months – 1 year**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Due to banks	14,124,506	14,154,580	12,633,025	483,752	422,841	614,962	-
Customer deposits	61,561,219	62,112,012	38,397,666	18,740,832	4,123,962	849,552	-
Debt securities	9,544,796	11,014,434	-	-	1,639,780	5,352,807	4,021,847
Other borrowings	9,339,678	9,491,307	68,323	3,938,306	3,628,229	1,856,449	-
Other liabilities	3,176,736	3,176,736	1,069,484	330,417	130,430	909,925	736,480
Total liabilities	**97,746,935**	**99,949,069**	**52,168,498**	**23,493,307**	**9,945,242**	**9,583,695**	**4,758,327**

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

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

Figures in thousand Qatar Riyals

	Total	**Up to 1 Year**	**1 - 5 years**	**More than 5 years**
Derivatives Held for Trading:				
Forward foreign exchange contracts				
Outflow	(5,735,349)	(4,996,998)	(738,351)	-
Inflow	5,845,692	5,052,778	792,914	-
Interest rate swaps:				
Outflow	(192,577)	(27,122)	(92,121)	(73,334)
Inflow	194,791	27,732	93,014	74,045
Derivatives Held as Fair Value Hedges:				
Interest rate swaps:				
Outflow	(50,665)	(26,199)	(24,467)	-
Inflow	57,598	29,003	28,595	-
Derivatives Held as Cash Value Hedges:				
Forward foreign exchange contracts:				
Outflow	(38,534)	(38,534)	-	-
Inflow	42,662	42,662	-	-
Interest rate swaps:				
Outflow	(171,993)	-	(171,993)	-
Inflow	171,993	-	171,993	-
Total Outflows	**(6,189,118)**	**(5,088,853)**	**(1,026,932)**	**(73,334)**
Total inflows	**6,312,736**	**5,152,175**	**1,086,516**	**74,045**

Figures in thousand Qatar Riyals

31 December 2013	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
Non-derivative financial liabilities							
Due to banks	12,599,210	12,671,134	10,844,594	1,163,962	45,752	616,826	-
Customer deposits	63,419,931	64,235,000	40,192,450	15,161,254	5,135,382	3,745,914	-
Debt securities	9,759,667	11,913,715	-	-	4,783,939	3,751,383	3,378,393
Other borrowings	7,345,717	7,721,823	324,656	1,764,068	2,562,660	3,070,439	-
Other liabilities	3,045,102	3,045,102	798,707	297,050	139,617	695,317	1,114,411
Total liabilities	96,169,627	99,586,774	52,160,407	18,386,334	12,667,350	11,879,879	4,492,804

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iv) Maturity analysis (financial liabilities and derivatives) (continued)

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

Figures in thousand Qatar Riyals

	Total	Up to 1 Year	1 - 5 years	More than 5 years
Derivatives Held for Trading:				
Forward foreign exchange contracts				
Outflow	(15,224,903)	(15,224,903)	-	-
Inflow	14,487,906	14,487,906	-	-
Interest rate swaps				
Outflow	(221,749)	(28,521)	(98,973)	(94,256)
Inflow	224,226	29,142	99,930	95,153
Derivatives Held as Fair Value Hedges:				
Cross currency interest rate swaps				
Outflow	(50,665)	(26,199)	(24,467)	-
Inflow	63,994	32,223	31,770	-
Total Outflows	(15,497,317)	(15,279,623)	(123,440)	(94,256)
Total inflows	14,776,126	14,549,271	131,700	95,153

(v) Off-balance sheet items

Figures in thousand Qatar Riyals

	Below 1 Year	Above 1 Year	Total
As at December 2014			
Loan commitments	1,001,721	5,154,648	6,156,369
Guarantees and other financial facilities	14,971,794	10,523,825	25,495,619
Capital commitments	10,400	389,457	399,857
Total	**15,983,915**	**16,067,930**	**32,051,845**

Figures in thousand Qatar Riyals

	Below 1 Year	Above 1 Year	Total
As at December 2013			
Loan commitments	2,115,458	5,864,916	7,980,374
Guarantees and other financial facilities	15,024,373	8,952,823	23,977,196
Capital commitments	27,090	461,414	488,504
Total	17,166,921	15,279,153	32,446,074

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks

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

The market risks arising from trading and non-trading activities are concentrated in Group Treasury and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Group's held-to-maturity and available-for-sale investments.

(i) Management of market risks

Overall authority for market risk is vested in ALCO. Group Market Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

The Group's proprietary investments are managed according to the Group's internal investment policy, which has been approved by the Board of Directors and drafted in accordance with the Qatar Central Bank guidelines. The Group's trading activities are conducted by Treasury and Investments Division. These activities are subject to business line guidelines and policies. The Group employs several techniques to measure and control activities including sensitivity analysis, position limits and risk based limits. The maximum limit of the Group's total proprietary investments (i.e. total of fair value through profit and loss, held to maturity and available for sale investment excluding Qatar Government issued or guaranteed investment or debt security portfolios) is restricted to 70% of the Group's capital and reserves (Tier 1 capital). However the individual limit for the held for trading investment portfolio is 10% of capital and reserves (Tier 1 capital) with a maximum permissible loss to carry for local securities at any given time. Investment policy is reviewed by the Board of Directors annually and day to day limits are independently monitored by the Market Risk Management department.

Investment proposals are approved at the Investment Committee and decisions driven by the investment strategy, which is developed by the business line under ALCO oversight and approved by the Board.

(ii) Exposure to interest rate risk – non-trading portfolio

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

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Group Treasury.

The Asset and Liability Management ("ALM") process, managed through ALCO, is used to manage interest rate risk associated with non-trading financial instruments. Interest rate risk represents the most significant market risk exposure to the Group's non-trading financial instruments.

The Group's goal is to manage interest rate sensitivity so that movements in interest rates do not adversely affect net interest income. Interest rate risk is measured as the potential volatility to the net interest rate income caused by changes in market interest rates. The Group typically manages the interest rate risk of its non-trading financial instruments by segmenting these assets and liabilities into two broad portfolios: non–discretionary and discretionary. The non-discretionary portfolio consists of the Group's customer driven loans and deposit positions and securities required to support regulatory requirements. To manage the resulting interest rate sensitivity of the Group's non-discretionary portfolio, the Group uses a discretionary portfolio of securities, long dated deposits, inter-bank takings and placements, and when warranted, derivatives. Strategically positioning the discretionary portfolio, the Group largely manages the interest rate sensitivity in the non-discretionary portfolio.

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolio (continued)

The following table summarises the interest sensitivity position at year end, by reference to the re-pricing period or maturity of the Group's assets and liabilities.

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

Figures in thousand Qatar Riyals

		Repricing in:					
	Carrying amount	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Non-interest sensitive**	**Effective interest rate %**
31 December 2014							
Cash and balances with central banks	6,940,968	3,700,433	-	-	-	3,240,535	-
Due from banks	15,493,763	10,979,226	4,043,350	468,057	-	3,130	1.11
Loans and advances to customers	72,541,236	40,866,002	26,919,817	3,568,821	694,632	491,964	5.71
Investment securities	11,621,238	2,563,932	892,737	4,685,470	2,658,385	820,714	4.74
Investment in associates	4,446,826	-	-	-	-	4,446,826	-
Property and equipment and all other assets	4,608,317	13,876	30,765	171,993	-	4,391,683	-
	115,652,348	**58,123,469**	**31,886,669**	**8,894,341**	**3,353,017**	**13,394,852**	-
Due to banks	(14,124,506)	(14,124,506)	-	-	-	-	2.56
Customer deposits	(61,561,219)	(46,749,637)	(3,849,687)	(795,934)	-	(10,165,961)	2.16
Debt securities	(9,544,796)	(289,449)	(1,158,979)	(5,419,093)	(2,677,275)	-	4.78
Other borrowings	(9,339,678)	(6,143,782)	(2,662,777)	(533,119)	-	-	1.56
Other liabilities	(3,386,036)	(170,240)	(30,765)	(171,993)	-	(3,013,038)	-
Equity	(17,696,113)	-	-	-	(2,000,000)	(15,696,113)	-
	(115,652,348)	(67,477,614)	(7,702,208)	(6,920,139)	(4,677,275)	(28,875,112)	-
Interest rate sensitivity gap	-	**(9,354,145)**	**24,184,461**	**1,974,202**	**(1,324,258)**	**(15,480,260)**	-
Cumulative Interest rate sensitivity gap	**-**	**(9,354,145)**	**14,830,316**	**16,804,518**	**15,480,260**	**-**	-

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolio (continued)

Figures in thousand Qatar Riyals

		Repricing in:					
	Carrying amount	Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate %
31 December 2013							
Cash and balances with central bank	6,902,547	1,656,103	-	-	-	5,246,444	-
Due from banks	15,177,969	12,287,618	2,749,894	140,457	-	-	1.03
Loans and advances to customers	66,862,544	38,923,595	24,279,460	2,731,886	530,542	397,061	4.95
Investment securities	14,706,294	4,598,236	3,043,663	4,535,689	1,627,141	901,565	5.09
Investment in associates	4,198,469	-	-	-	-	4,198,469	-
Property and equipment and other assets	5,264,042	-	-	-	-	5,264,042	-
	113,111,865	57,465,552	30,073,017	7,408,032	2,157,683	16,007,581	-
Due to Bank	(12,599,210)	(12,553,710)	(45,500)	-	-	-	1.21
Customer deposits	(63,419,931)	(50,755,234)	(3,745,316)	(433,193)	-	(8,486,188)	1.60
Debt securities	(9,759,667)	(331,397)	(3,718,021)	(3,014,806)	(2,695,443)	-	5.23
Other borrowings	(7,345,717)	(4,814,441)	(2,274,166)	(251,643)	(5,467)	-	2.11
Other liabilities	(3,432,245)	(253,561)	(300,982)	-	-	(2,877,702)	-
Equity	(16,555,095)	-	-	-	(2,000,000)	(14,555,095)	-
	(113,111,865)	(68,708,343)	(10,083,985)	(3,699,642)	(4,700,910)	(25,918,985)	
Interest rate sensitivity gap	-	(11,242,791)	19,989,032	3,708,390	(2,543,227)	(9,911,404)	-
Cumulative Interest rate sensitivity gap	-	(11,242,791)	8,746,241	12,454,631	9,911,404	-	-

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

(ii) Exposure to interest rate risk – non-trading portfolio (continued)

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

Figures in thousand Qatar Riyals

	50 bp parallel increase	50 bp parallel decrease
Sensitivity of net interest income		
2014		
At 31 December	**(130,883)**	130,883
Average for the year	**(139,666)**	139,666
2013		
At 31 December	(151,041)	151,041
Average for the year	(123,806)	123,806

Figures in thousand Qatar Riyals

	50 bp parallel increase	50 bp parallel decrease
Sensitivity to reported Fair value reserve in equity of interest rate movements		
2014		
At 31 December	**6,195**	(6,195)
Average for the year	**7,197**	(7,197)
2013		
At 31 December	8,194	(8,194)
Average for the year	8,346	(8,346)

Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss; and
- fair value reserves arising from increases or decreases in fair values of available-for-sale financial instruments are reported directly in other comprehensive income.

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

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

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

Foreign currency transactions
The Group monitors any concentration risk in relation to any individual currency in regard to the translation of foreign currency transactions and monetary assets and liabilities. The table shows the net foreign currency exposure by major currencies at the end of the reporting period along with the sensitivities if there were to be a change in the currency exchange rate.

Figures in thousand Qatar Riyals

	2014	2013
Net foreign currency exposure:		
Pounds Sterling	12,951	59,882
Euro	(1,219,142)	217,349
USD	(1,891,798)	540,072
Other currencies	3,286,147	3,330,035

Figures in thousand Qatar Riyals

5% increase / (decrease) in currency exchange rate	Increase / (decrease) in profit or loss **2014**	2013	Increase / (decrease) in fair value reserve **2014**	2013
Pound Sterling	**648**	2,994	**43**	52
Euro	**(60,957)**	10,867	**37**	264
Other currencies	**164,307**	166,502	**7,130**	11,507

Open exchange position in other currencies represents Group's investment in associates denominated in RO and AED. As these currencies and Qatar Riyal are pegged to the USD, there is no impact to income statement and impact to equity is insignificant.

Equity price risk
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as held for trading and available for sale. A 10 per cent increase in the Qatar Exchange and Bombay Stock Exchange and a 15 per cent increase in the Abu Dhabi Securities Exchange market index at 31 December 2014 would have increased equity by QAR 24 million (2013: QAR 23 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

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

Figures in thousand Qatar Riyals

	2014	2013
Increase / (decrease) in other comprehensive income:		
Qatar Exchange	**15,330**	2,282
Bombay Stock Exchange	**6,609**	20,276
Abu Dhabi Securities Exchange	**2,467**	682

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

Notes to the Consolidated Financial Statements continued

4. FINANCIAL RISK MANAGEMENT (continued)

(e) Operational risks

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

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

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

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

(f) Capital management

Regulatory capital

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

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the period. The Captial Adquacy Ratio (CAR) of the group is calculated in accordance with the Basel Committee guidelines as adopted by Qatar Central Bank (QCB). From 1st January 2014 QCB adopted Basel III guidelines for CAR calculation.

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

Figures in thousand Qatar Riyals

	Basel III 2014	Basel II 2013
Common Equity Tier 1 (CET 1) Capital	10,930,246	-
Additional Tier 1 Capital	2,000,000	-
Tier 1 Capital	12,930,246	11,947,947
Tier 2 Capital	2,141,821	1,430,355
Total Eligible Capital	**15,072,067**	13,378,302
Risk Weighted Assets for Credit Risk	91,441,410	-
Risk Weighted Assets for Market Risk	1,475,991	-
Risk Weighted Assets for Operational Risk	6,102,566	-
Total Risk Weighted Assets	**99,019,967**	95,135,120
CET 1 Ratio	11.04%	-
Tier 1 Capital Ratio	13.06%	-
Total Capital Ratio	15.22%	14.1%

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

The minimum requirement for Capital Adequacy Ratio under Basel III as per QCB regulations are as follows:

	Without Capital Conservation Buffer	Including Capital Conservation Buffer
Minimum limit for CET 1 ratio	6%	8.5%
Minimum limit for Tier 1 capital ratio	8%	10.5%
Minimum limit for Total capital ratio	10%	12.5%

5. USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Allowances for credit losses

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

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

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

The Bank reviews its loan portfolio to assess impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in the statement of income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Notes to the Consolidated Financial Statements continued

5. USE OF ESTIMATES AND JUDGMENTS (continued)

(a) Key sources of estimation uncertainty (continued)

(ii) Determining fair values

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

Where the fair values of financial assets and financial liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Goodwill impairment

Goodwill is tested annually for impairment; assets are grouped together into smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to the CGU which is expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(i) Valuation of financial instruments

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

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

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level1 that are observable either directly (i.e.as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are value based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist.

5. USE OF ESTIMATES AND JUDGMENTS (continued)

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

(i) Valuation of financial instruments (continued)

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Figures in thousand Qatar Riyals

			31 December 14
	Level 1	**Level 2**	**Carrying amount**
Derivative assets	-	223,757	223,757
Investment securities	1,746,411	9,628,708	11,621,238
	1,746,411	**9,852,465**	**11,844,995**
Derivative liabilities	-	209,300	209,300
	-	**209,300**	**209,300**

			31 December 13
	Level 1	Level 2	Carrying amount
Derivative assets	-	580,176	580,176
Investment securities	3,465,706	10,896,990	14,706,294
	3,465,706	11,477,166	15,286,470
Derivative liabilities	-	387,143	387,143
	-	387,143	387,143

All unquoted available for sale equities and investment funds are recorded at fair value except for investments with a carrying value of QAR 246 million (2013: QAR 344 million), which are recorded at cost since their fair value cannot be reliably estimated. There have been no transfers between levels 1, 2 and 3 during the years 2014 and 2013.

Fair value of financial assets and liabilities not measured at fair value is approximately equal to the carrying value.

(ii) Financial asset and liability classification

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

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

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

(iii) Qualifying hedge relationships

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

Notes to the Consolidated Financial Statements continued

5. USE OF ESTIMATES AND JUDGMENTS (continued)

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

(iv) Impairment of investments in equity and debt securities
Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies section.

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

(vi) Useful life of intangible assets
The Group's management determines the estimated useful life of its intangible assets for calculating amortization. This estimate is determined after considering the expected economic benefits from the use of intangible assets.

6. OPERATING SEGMENTS

For management purposes, the Group is divided into four operating segments, which are based on business lines, together with its associated companies, as follows:

Commercial Bank:

1. **Wholesale Banking** provides an extensive range of conventional funded and non-funded credit facilities, demand and time deposit services, currency exchange facilities, interest rate swaps and other derivative trading services, loan syndication and structured financing services to corporate, commercial and multinational customers. Money market funds and proprietary investment portfolio are also managed by this operating segment.

2. **Retail Banking** provides personal current, savings, time and investment account services, credit card and debit card services, consumer and vehicle loans, residential mortgage services and custodial services to retail and individual customers.

Subsidiaires:

3. **Alternatifbank A.S. ("ABank"):** A subsidiary that provides banking services through its branch network in Turkey. Abank also has its subsidiaries. The Group reported Abank group result under this operating segment.

4. **Other Subsidiaries:**
   a) Orient 1 and Global Card Services L.L.C. provide credit card services in the Sultanate of Oman.
   b) Commercialbank Investment Services (S.P.C.) provides brokerage services in the State of Qatar.
   c) CBQ Finance Limited, a SPV used for debt issuance for the bank,

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations. (For example, Group head quarters, staff apartments, common property & equipment, cash functions and development projects and related payables, net of intra-group transactions).

Associated Companies – includes the Group's strategic investments in the National Bank of Oman in the Sultanate of Oman, and United Arab Bank in United Arab Emirates, Asteco Qatar L.L.C. and Massoun Insurance Services L.L.C. which operate in the State of Qatar. All Associated Companies are accounted for under the equity method.

Management monitors the results of the operating segments separately to make decisions about resource allocation and performance assessment. Transfer prices between operating segments are on an arm's length basis.

6. OPERATING SEGMENTS (continued)

(a) By operating segment

Segment assets and liabilities comprise operating assets and liabilities which are directly handled by the operating segment and income or expenses are attributed with the assets and liabilities' ownership. The following table summarizes performance of the operating segments:

Figures in thousand Qatar Riyals

	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	ABank	Others	Unallocated	Total
31 December 2014							
Net interest income	1,222,839	744,139	1,966,968	638,364	3,226	(27,892)	**2,580,666**
Net other operating income	692,494	339,727	1,032,221	210,846	29,029	49,707	**1,321,803**
Segmental revenue	1,915,323	1,083,866	2,999,189	849,210	32,255	21,815	**3,902,469**
Impairment loss on investment securities	(49,811)	-	(49,811)	-	-	-	**(49,811)**
Net impairment loss on loans and advances to customers	(451,498)	(64,485)	(515,983)	(105,047)	(1,788)	-	**(622,818)**
Segmental profit			**1,404,435**	**231,411**	**19,597**	**(96,396)**	**1,559,047**
Share of results of associates							**381,166**
Net profit for the year							**1,940,213**
Other information							
Assets	70,954,750	18,607,437	89,562,187	17,567,453	311,855	3,764,027	**111,205,522**
Investments in associates	-	-	-	-	-	-	**4,446,826**
Liabilities	66,994,281	14,043,574	81,037,855	16,055,454	105,635	757,291	**97,956,235**
Contingent items	26,777,603	29,451	26,807,054	4,844,934	-	-	**31,651,988**

Intra-group transactions are eliminated from this segmental information (Assets: QAR 1,659 million and Liabilities: QAR 410 million)

Notes to the Consolidated Financial Statements continued

6. OPERATING SEGMENTS (continued)

(a) By operating segment (continued)

Figures in thousand Qatar Riyals

	Commercial Bank			Subsidiaries			
	Wholesale Banking	Retail Banking	Total Commercial Bank	ABank	Others	Unallocated	Total
31 December 2013							
Net interest income	1,242,706	635,684	1,878,390	311,893	2,663	(4,587)	2,188,359
Net other operating income	777,778	278,854	1,056,632	133,481	9,800	45,624	1,245,537
Segmental revenue	2,020,484	914,538	2,935,022	445,374	12,463	41,037	3,433,896
Impairment loss on investment securities	(109,937)	-	(109,937)	-	-	-	(109,937)
Net impairment loss on loans and advances to customers	(426,023)	(34,406)	(460,429)	(140,047)	(3,491)	-	(603,967)
Segmental profit			1,311,638	8,840	1,314	(41,347)	1,280,445
Share of results of associates							324,933
Net profit for the year							1,605,378
Other information							
Assets	74,102,962	14,301,868	88,404,830	18,778,386	431,509	1,298,671	108,913,396
Investments in associates	-	-	-	-	-	-	4,198,469
Liabilities	64,212,156	13,816,385	78,028,541	17,790,787	244,885	492,557	96,556,770
Contingent items	25,825,587	941,447	26,767,034	5,190,536	-	-	31,957,570

Intra-group transactions are eliminated from this segmental information (Assets: QAR 1,548 million and Liabilities: QAR 660 million)

6. OPERATING SEGMENTS (continued)

(b) By geography

Figures in thousand Qatar Riyals

Consolidated statement of financial position	**Qatar**	**Other GCC countries**	**Other Middle East**	**Europe**	**North America**	**Rest of the world**	**Total**
As at 31 December 2014							
Cash and balances with central banks	4,817,430	9	2,123,529	-	-	-	6,940,968
Due from banks	3,082,761	4,476,771	2,175,651	1,318,994	869,953	3,569,633	15,493,763
Loans and advances to customers	54,055,199	3,201,501	14,764,923	87,688	16	431,909	72,541,236
Investment securities	7,947,761	885,566	2,278,684	145,454	158,553	205,220	11,621,238
Investment in associates	8,274	4,438,552	-	-	-	-	4,446,826
Property and equipment and all other assets	2,832,028	64,302	1,575,973	127,118	2,501	6,395	4,608,317
Total assets	**72,743,453**	**13,066,701**	**22,918,760**	**1,679,254**	**1,031,023**	**4,213,157**	**115,652,348**
Due to banks	5,670,227	5,249,778	1,836,223	1,100,059	37,133	231,086	14,124,506
Customer deposits	47,345,107	4,142,708	8,545,445	932,747	32,261	562,951	61,561,219
Debt securities	-	-	1,335,649	8,027,233	181,914	-	9,544,796
Other borrowings	674,624	3,977,480	593,049	2,428,461	752,138	913,926	9,339,678
Other liabilities	2,260,662	68,051	904,059	150,424	814	2,026	3,386,036
Equity	17,696,113	-	-	-	-	-	17,696,113
Total liabilities and equity	**73,646,733**	**13,438,017**	**13,214,425**	**12,638,924**	**1,004,260**	**1,709,989**	**115,652,348**

Figures in thousand Qatar Riyals

Consolidated statement of income	**Qatar**	**Other GCC countries**	**Other Middle East**	**Europe**	**North America**	**Rest of the world**	**Total**
Year ended 31 December 2014							
Net interest income	1,838,244	74,564	699,789	(104,703)	19,898	52,874	2,580,666
Net Fee, commission and other income	1,026,275	41,279	219,304	(935)	3,444	32,436	1,321,803
Net operating income	2,864,519	115,843	919,093	(105,638)	23,342	85,310	3,902,469
Staff cost	(554,393)	-	(276,084)	-	-	(1,990)	(832,467)
Depreciation	(128,062)	-	(14,667)	-	-	(532)	(143,261)
Amortization of intangible assets	(47,339)	-	(5,318)	-	-	-	(52,657)
Impairment loss on investment securities	(1,820)	(6,728)	-	(1,531)	(19,269)	(20,463)	(49,811)
Net impairment loss on loans and advances to customers	(515,983)	(1,788)	(105,047)	-	-	-	(622,818)
Other expenses	(421,863)	-	(166,237)	-	-	(3,862)	(591,962)
Profit before share of results of associates	1,195,059	107,327	351,740	(107,169)	4,073	58,463	1,609,493
Share of results of associates	3,446	377,720	-	-	-	-	381,166
Profit for the year before tax	**1,198,505**	**485,047**	**351,740**	**(107,169)**	**4,073**	**58,463**	**1,990,659**
Income tax expenses	-	-	(50,446)	-	-	-	(50,446)
Net profit for the year	**1,198,505**	**485,047**	**301,294**	**(107,169)**	**4,073**	**58,463**	**1,940,213**

Notes to the Consolidated Financial Statements continued

6. OPERATING SEGMENTS (continued)

(b) By geography (continued)

Figures in thousand Qatar Riyals

Consolidated statement of financial position	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
As at 31 December 2013							
Cash and balances with central bank	4,761,821	-	2,140,726	-	-	-	6,902,547
Due from banks	3,209,250	3,050,475	1,805,185	3,416,802	1,410,294	2,285,963	15,177,969
Loans and advances to customers	49,775,938	2,960,095	12,702,739	274,710	3,218	1,145,844	66,862,544
Investments securities	9,363,464	882,445	3,250,659	449,546	208,267	551,913	14,706,294
Investment in associates	14,032	4,184,437	-	-	-	-	4,198,469
Property and equipment and other assets	2,678,086	123,171	2,231,160	224,970	1,042	5,613	5,264,042
Total assets	69,802,591	11,200,623	22,130,469	4,366,028	1,622,821	3,989,333	113,111,865
Due to banks	1,983,962	4,970,882	4,436,444	1,060,633	72,801	74,488	12,599,210
Customer deposits	44,789,632	7,315,099	8,323,107	2,308,323	450	683,320	63,419,931
Debt securities	-	-	1,024,738	8,734,929	-	-	9,759,667
Other borrowings	-	1,655,904	4,233,813	910,000	-	546,000	7,345,717
Other liabilities	1,983,888	120,709	1,198,815	123,517	217	5,099	3,432,245
Equity	16,555,095	-	-	-	-	-	16,555,095
Total liabilities and equity	65,312,577	14,062,594	19,216,917	13,137,402	73,468	1,308,907	113,111,865

Figures in thousand Qatar Riyals

Consolidated statement of income	Qatar	Other GCC countries	Other Middle East	Europe	North America	Rest of the world	Total
Year ended 31 December 2013							
Net interest income	1,881,484	56,042	344,837	(94,257)	7,576	(7,323)	2,188,359
Net Fee, commission and other income	1,051,296	40,519	136,674	1,477	1,963	13,608	1,245,537
Net operating income	2,932,780	96,561	481,511	(92,780)	9,539	6,285	3,433,896
Staff cost	(534,807)	-	(143,343)	-	-	(6,550)	(684,700)
Depreciation	(132,558)	-	(7,347)	-	-	(568)	(140,473)
Amortization of intangible assets	-	-	(3,252)	-	-	-	(3,252)
Impairment loss on investment securities	(2,304)	(339)	-	(3,500)	(11,967)	(91,827)	(109,937)
Net impairment loss on loans and advances to customers	(460,430)	(3,491)	(140,046)	-	-	-	(603,967)
Other expenses	(466,147)	-	(139,508)	-	-	(3,087)	(608,742)
Profit before share of results of associates	1,336,534	92,731	48,015	(96,280)	(2,428)	(95,747)	1,282,825
Share of results of associates	3,146	321,787	-	-	-	-	324,933
Profit for the year before tax	1,339,680	414,518	48,015	(96,280)	(2,428)	(95,747)	1,607,758
Income tax expenses	-	-	(2,380)	-	-	-	(2,380)
Net profit for the year	1,339,680	414,518	45,635	(96,280)	(2,428)	(95,747)	1,605,378

7. FINANCIAL ASSETS AND LIABILITIES

(a) Accounting classifications and fair values

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

Figures in thousand Qatar Riyals

	Fair value through income statement	Held-to-maturity	Loans and receivables (at amortised cost)	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2014							
Cash and balances with central banks	-	-	6,940,968	-	-	6,940,968	6,940,968
Due from banks	-	-	15,493,763	-	-	15,493,763	15,493,763
Derivative assets	223,757	-	-	-	-	223,757	223,757
Loans and advances to customers	-	-	72,541,236	-	-	72,541,236	72,541,236
Investment securities:	-	-	-	-	-	-	-
Measured at fair value	118,021	-	-	11,503,217	-	11,621,238	11,621,238
	341,778	**-**	**94,975,967**	**11,503,217**	**-**	**106,820,962**	**106,820,962**
Derivative liabilities	209,300	-	-	-	-	209,300	209,300
Due to banks	-	-	-	-	14,124,506	14,124,506	14,124,506
Customer deposits	-	-	-	-	61,561,219	61,561,219	61,561,219
Debt securities	-	-	-	-	9,544,796	9,544,796	10,129,981
Other borrowings	-	-	-	-	9,339,678	9,339,678	9,339,678
	209,300	**-**	**-**	**-**	**94,570,199**	**94,779,499**	**95,364,684**

The fair value of loans and receivables has been arrived at using a level 2 valuation method, except for the impaired loans and receivables net of provisions amounting to QAR 727 million for which a level 3 valuation method has been used.

The fair value of liabilities measured at amortized cost has been arrived at using a level 2 valuation method, except for debt securities which are quoted and valued using a level 1 method.

Notes to the Consolidated Financial Statements continued

7. FINANCIAL ASSETS AND LIABILITIES (continued)

(a) Accounting classifications and fair values (continued)

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

Figures in thousand Qatar Riyals

	Fair value through income statement	Held-to-maturity	Loans and receivables (at amortised cost)	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2013							
Cash and balances with central bank	-	-	6,902,547	-	-	6,902,547	6,902,547
Due from banks	-	-	15,177,969	-	-	15,177,969	15,177,969
Derivative assets	580,176	-	-	-	-	580,176	580,176
Loans and advances to customers	-	-	66,862,544	-	-	66,862,544	66,862,544
Investment securities:							
Measured at fair value	188,093	-	-	14,518,201	-	14,706,294	14,706,294
	768,269	-	88,943,060	14,518,201	-	104,229,530	104,229,530
Derivative liabilities	387,143	-	-	-	-	387,143	387,143
Due to banks	-	-	-	-	12,599,210	12,599,210	12,599,210
Customer deposits	-	-	-	-	63,419,931	63,419,931	63,419,931
Debt securities	-	-	-	-	9,759,667	9,759,667	10,380,131
Other borrowings	-	-	-	-	7,345,717	7,345,717	7,345,717
	387,143	-	-	-	93,124,525	93,511,668	94,132,132

8. CASH AND BALANCES WITH CENTRAL BANKS

Figures in thousand Qatar Riyals

	2014	2013
Cash	682,654	620,705
Cash reserve with central banks *	4,137,873	3,927,777
Other balances with central banks	2,120,441	2,354,065
	6,940,968	6,902,547

*The cash reserve with central banks is mandatory reserve not available for use in the Group's day to day operations.

9. DUE FROM BANKS

Figures in thousand Qatar Riyals

	2014	2013
Current accounts	937,737	1,096,426
Placements	11,015,113	12,144,894
Loans to banks	3,540,913	1,936,649
	15,493,763	15,177,969

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

Figures in thousand Qatar Riyals

	2014	2013
Loans	69,343,221	65,531,930
Overdrafts	4,597,622	2,288,460
Bills discounted	360,315	302,626
Bankers acceptances	383,079	397,061
	74,684,237	68,520,077
Deferred profit	(43,228)	(85,652)
Specific & collective impairment of loans and advances	(2,099,773)	(1,571,881)
Net loans and advances to customers*	**72,541,236**	66,862,544

*The aggregate amount of non-performing loans and advances to customers amounted QAR 2,827 million which represents 3.79 % of total loans and advances to customers (2013: QAR 2,496 million, 3.65% of total loans and advances to customers).

Specific impairment of loans and advances to customers includes QAR 117.3 million of interest in suspense (2013: QAR 173 million).

By internal business segment

Figures in thousand Qatar Riyals

	2014	2013
Government and related agencies	8,103,980	7,314,779
Wholesale	37,927,779	45,437,856
Retail	26,509,477	14,109,909
Net loans and advances to customers	**72,541,236**	66,862,544

b) By sector

Figures in thousand Qatar Riyals

At 31 December 2014:	**Loans**	**Overdrafts**	**Bills discounted**	**Bankers acceptances**	**Total**
Government and related agencies	5,883,558	2,220,423	-	-	8,103,981
Non-banking financial institutions	2,309,240	10,812	-	-	2,320,052
Industry	5,562,595	153,311	2,925	4,404	5,723,235
Commercial	9,727,787	220,445	145,610	252,733	10,346,575
Services	10,098,864	221,062	79,801	32,425	10,432,152
Contracting	6,416,271	300,011	46,097	93,517	6,855,896
Real estate	18,902,833	178,005	1,983	-	19,082,821
Personal	7,155,672	1,293,425	83,899	-	8,532,996
Others	3,286,401	128	-	-	3,286,529
	69,343,221	**4,597,622**	**360,315**	**383,079**	**74,684,237**
Less: Deferred Profit					(43,228)
Specific & collective impairment of loans and advances to customers					(2,099,773)
					(2,143,001)
Net loans and advances to customers					**72,541,236**

Notes to the Consolidated Financial Statements continued

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

b) By sector (continued)

Figures in thousand Qatar Riyals

At 31 December 2013:	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	7,216,922	97,857	-	-	7,314,779
Non-banking financial institutions	1,910,378	9,573	-	-	1,919,951
Industry	5,504,741	153,647	2,987	43,093	5,704,468
Commercial	8,295,955	142,718	64,507	239,000	8,742,180
Services	8,252,282	251,867	38,089	29,856	8,572,094
Contracting	4,890,826	353,577	80,466	85,112	5,409,981
Real Estate	21,510,413	231,851	115,625	-	21,857,889
Personal	4,816,970	1,047,370	952	-	5,865,292
Others	3,133,443	-	-	-	3,133,443
	65,531,930	2,288,460	302,626	397,061	68,520,077
Less: Deferred Profit					(85,652)
Specific & collective impairment of loans and advances to customers					(1,571,881)
					(1,657,533)
Net loans and advances to customers					66,862,544

c) Movement in impairment loss on loans and advances to customers

Figures in thousand Qatar Riyals

	2014	2013
Balance at 1 January	1,571,881	626,812
Acquisition of subsidiary	-	457,325
Allowance made during the year	1,068,662	736,081
Recoveries during the year	(328,526)	(53,328)
Net allowance for impairment during the year *	740,136	682,753
Written off during the year	(156,639)	(137,202)
Exchange differences	(55,605)	(57,807)
Balance at 31 December	**2,099,773**	1,571,881

*This includes net interest suspended during the year QAR 117.3 million (2013: QAR 78.8 million). The movement includes the effect of interest suspended on loans and advances to customers as per QCB regulations.

Further analysis is as follows:

Figures in thousand Qatar Riyals

	Commercial Bank	**Abank**	**Other subsidiaries**	**Total**
Balance at 1 January 2014	1,022,562	539,566	9,753	1,571,881
Acqusition of subsidiary	-	-	-	-
Allowance made during the year	712,522	353,733	2,407	1,068,662
Recoveries during the year	(79,220)	(248,687)	(619)	(328,526)
Written off during the year	(156,631)	-	(8)	(156,639)
Exchange differences	-	(55,605)	-	(55,605)
Balance at 31 December 2014	**1,499,233**	**589,007**	**11,533**	**2,099,773**

10. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Movement in impairment loss on loans and advances to customers (continued)

Figures in thousand Qatar Riyals

	Commercial Bank	Abank	Other subsidiaries	Total
Balance at 1 January 2013	620,385	-	6,427	626,812
Acqusition of subsidiary	-	457,325	-	457,325
Allowance made during the year	565,744	166,435	3,902	736,081
Recoveries during the year	(26,530)	(26,387)	(411)	(53,328)
Written off during the year	(137,037)	-	(165)	(137,202)
Exchange differences	-	(57,807)	-	(57,807)
Balance at 31 December 2013	1,022,562	539,566	9,753	1,571,881

11. INVESTMENT SECURITIES

Investment securities as at 31 December 2014 totaled QAR 11,621 million (2013: QAR 14,706 million). The analysis of investment securities is detailed below:

Figures in thousand Qatar Riyals

	2014	2013
Available-for-sale	11,503,217	14,518,201
Investment securities designated at fair value through income statement	118,021	188,093
Total	**11,621,238**	14,706,294

The carrying value of investment securities pledged under Repurchase agreements (REPO) is QAR 1,439 million (2013:QAR 4,842 million)

a) Available-for-sale

Figures in thousand Qatar Riyals

	2014		2013	
	Quoted	**Unquoted**	Quoted	Unquoted
Equities	282,702	219,750	276,697	273,797
State of Qatar debt securities	3,272,138	4,349,843	1,831,201	6,989,720
Debt and other securities*	2,889,582	170,940	4,556,323	239,391
Investment funds	57,144	261,118	81,111	269,961
Total	**6,501,566**	**5,001,651**	6,745,332	7,772,869

* Fixed rate securities and floating rate securities amounted to QAR 1,939 million and QAR 1,121 million respectively (2013: QAR 3,213 million and QAR 1,582 million respectively).

b) Investment securities designated at fair value through income statement

Figures in thousand Qatar Riyals

	2014	2013
Debt securities	118,021	188,093
Total	**118,021**	188,093

Notes to the Consolidated Financial Statements continued

11. INVESTMENT SECURITIES (continued)

c) Movement in impairment loss on investment Available for sale - debt securities

Figures in thousand Qatar Riyals

	2014	2013
Balance at 1 January	125,421	202,126
Allowance for impairment during the year	3,887	4,458
Recoveries during the year	(7,607)	(8,524)
Realized during the year	(17,175)	(72,639)
Total	**104,526**	125,421

The Group has also recognised impairment loss for investments in equities and funds during the year amounting to QAR 45.9 million (2013: QAR 105.5 million).

12. INVESTMENTS IN ASSOCIATES

Figures in thousand Qatar Riyals

	2014	2013
Balance at 1 January	4,198,469	4,054,157
Share of results -note 21(f)	381,166	324,933
Cash dividend - note 21(f)	(118,916)	(162,697)
Other movements	(13,893)	(17,924)
Balance at 31 December	**4,446,826**	4,198,469

Figures in thousand Qatar Riyals

Name of the Associate	Amount 2014	Amount 2013	Country	Associate's activities	Ownership % 2014	Ownership % 2013
National Bank of Oman SAOG ('NBO')	1,787,144	1,676,582	Oman	Banking	34.9%	34.9%
United Arab Bank PJSC ('UAB')	2,651,410	2,504,711	UAE	Banking	40%	40%
Asteco LLC	1,395	1,687	Qatar	Facilities management	30%	30%
Massoun Insurance Services LLC	6,877	15,489	Qatar	Insurance brokerage	50%	50%
	4,446,826	4,198,469				

During the period Massoun Insurance Services L.L.C redeemed 75% of its paid up capital.

The summarised financial position and results of associates as at the end of reporting period are as follows:

Figures in thousand Qatar Riyals

	2014	2013
Total assets	**53,626,549**	48,764,697
Total liabilities	**47,304,889**	43,160,137
Operating income	**2,450,806**	2,020,035
Net profit	**1,081,533**	944,542
Total comprehensive income	**1,058,892**	895,718
Share of results	**381,166**	324,933

Shares of National Bank of Oman SAOG are listed on the Muscat Securities Market, having a market value of QAR 1,269 million as at 31 December 2014 (2013: QAR 1,177 million).

Shares of United Arab Bank PJSC are listed on the Abu Dhabi Securities Market, having a market value of QAR 2,952 million as at 31 December 2014 (2013: QAR 2,547 million).

13. PROPERTY AND EQUIPMENT

Figures in thousand Qatar Riyals

	Land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital work in progress	Total
Cost						
Balance at 1 January 2013	958,674	87,742	676,162	6,204	202,668	1,931,450
Acquisitions of subsidiary	-	68,398	104,886	184	-	173,468
Additions / transfers	65,686	11,205	113,968	350	(3,419)	187,790
Disposals	-	-	-	-	-	-
Exchange differences	-	(7,692)	(11,783)	(19)	-	(19,494)
Balance at 31 December 2013	1,024,360	159,653	883,233	6,719	199,249	2,273,214
Balance at 1 January 2014	1,024,360	159,653	883,233	6,719	199,249	2,273,214
Acquisitions of subsidiary	-	-	-	-	-	-
Additions / transfers	31,925	7,466	64,741	1,254	70,968	176,354
Disposals	(638)	(915)	(5,878)	(413)	-	(7,844)
Exchange differences	(256)	(6,225)	(9,315)	(4)	-	(15,800)
Balance at 31 December 2014	**1,055,391**	**159,979**	**932,781**	**7,556**	**270,217**	**2,425,924**
Accumulated depreciation						
Balance at 1 January 2013	193,038	65,200	471,169	4,974	-	734,381
Acquisitions of subsidiary	-	47,472	81,118	174	-	128,764
Depreciation for the year	33,892	13,457	92,743	381	-	140,473
Disposals	-	-	-	-	-	-
Exchange differences	-	(5,135)	(8,437)	(18)	-	(13,590)
Balance at 31 December 2013	226,930	120,994	636,593	5,511	-	990,028
Balance at 1 January 2014	226,930	120,994	636,593	5,511	-	990,028
Acquisitions of subsidiary	-	-	-	-	-	-
Depreciation for the year	34,893	16,220	91,740	408	-	143,261
Disposals	-	(851)	(5,819)	(403)	-	(7,073)
Exchange differences	(3)	(4,115)	(6,686)	(3)	-	(10,807)
Balance at 31 December 2014	**261,820**	**132,248**	**715,828**	**5,513**	**-**	**1,115,409**
Net carrying amounts						
Balance at 31 December 2013	797,430	38,659	246,640	1,208	199,249	1,283,186
Balance at 31 December 2014	**793,571**	**27,731**	**216,953**	**2,043**	**270,217**	**1,310,515**

Notes to the Consolidated Financial Statements continued

14. INTANGIBLE ASSETS

Figures in thousand Qatar Riyals

	Goodwill	Brand	Customer relationship	Core deposit	Internally developed software	Total
Cost						
Balance at 1 January 2013	-	-	-	-	-	-
Acquisitions of subsidiary	498,074	121,517	424,273	114,140	15,064	1,173,068
Disposals	-	-	-	-	-	-
Exchange differences	(48,609)	(5,058)	(42,752)	(11,501)	(1,095)	(109,015)
Balance at 31 December 2013	449,465	116,459	381,521	102,639	13,969	1,064,053
Balance at 1 January 2014	449,465	116,459	381,521	102,639	13,969	1,064,053
Acquisitions of subsidiary	-	-	-	-	-	-
Additions / transfers	525	4,253	-	-	2,253	7,031
Disposals	-	-	-	-	-	-
Exchange differences	(41,003)	(10,875)	(34,776)	(9,356)	(1,411)	(97,421)
Balance at 31 December 2014	**408,987**	**109,837**	**346,745**	**93,283**	**14,811**	**973,663**
Amortisation						
Balance at 1 January 2013	-	-	-	-	-	-
Acquisition of subsidiary	-	62,964	-	-	8,862	71,826
Amortisation during the year	-	3,111	-	-	141	3,252
Impaired during the year	-	-	-	-	-	-
Exchange differences	-	(6,606)	-	-	(905)	(7,511)
Balance at 31 December 2013	-	59,469	-	-	8,098	67,567
Balance at 1 January 2014	-	59,469	-	-	8,098	67,567
Acquisition of subsidiary	-	-	-	-	-	-
Amortisation during the year	-	4,743	36,894	8,323	2,697	52,657
Impaired during the year	-	-	-	-	-	-
Exchange differences	-	(5,646)	-	-	(838)	(6,484)
Balance at 31 December 2014	**-**	**58,566**	**36,894**	**8,323**	**9,957**	**113,740**
Net carrying amounts						
Balance at 31 December 2013	449,465	56,990	381,521	102,639	5,871	996,486
Balance at 31 December 2014	**408,987**	**51,271**	**309,851**	**84,960**	**4,854**	**859,923**

Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU-ABank. A discount rate of 16.5% and a terminal growth rate of 2% were used to estimate the recoverable amount of ABank. No impairment losses on goodwill were recognised during 2014 (2013: nil).

The recoverable amount for the CGU has been calculated based on the 'Value In Use', determined by discounting the future cash flows expected to be generated from the continuing use of the CGU. No impairment losses were recognised during 2014 (2013: nil) because the recoverable amounts of this CGU was determined to be higher than their carrying amount. The discount rate was a pre-tax measure based on the Government Bonds10 year yield USD, adjusted for an equity market risk premium, equity beta and inflation differential in Turkey and for USD.

14. INTANGIBLE ASSETS (continued)

Five years of cash flow are included in the discounted cash model. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which CGU operate and the long term compound annual profit before taxes, depreciation and amortization growth rate estimated by the management. The key assumptions described above may change as economic and market conditions change. The Group estimates that reasonably possible changes in these assumptions would not cause the recoverable amount of CGU to decline below the carrying amount.

15. OTHER ASSETS

Figures in thousand Qatar Riyals

	2014	2013
Interest receivable and accrued income	573,440	719,639
Prepaid expenses	82,032	73,036
Accounts receivable	296,807	265,145
Repossessed collateral*	1,107,543	883,614
Positive fair value of derivatives (Note 36)	223,757	580,176
Clearing cheques	29,413	181,811
Others	124,887	280,949
	2,437,879	2,984,370

*This represents the value of the properties acquired in settlement of debts and subsequent additions, which have been stated at their carrying value net of any allowance for impairment. The estimated market values of these properties at the end of the reporting period are not materially different from the carrying values.

16. DUE TO BANKS

Figures in thousand Qatar Riyals

	2014	2013
Balances due to central banks	364,000	72,801
Current accounts	606,192	354,727
Placements with banks	11,912,257	7,762,710
Repurchase agreements with banks	1,242,057	4,408,972
	14,124,506	12,599,210

17. CUSTOMER DEPOSITS

Figures in thousand Qatar Riyals

	2014	2013
a) By type		
Current and call deposits	17,635,842	15,463,734
Saving deposits	5,343,913	3,754,381
Time deposits	38,581,464	44,201,816
	61,561,219	63,419,931
b) By sector		
Government	5,384,681	10,699,122
Government and semi government agencies	12,491,436	10,154,165
Individuals	18,643,744	18,152,246
Corporate	21,122,880	16,898,152
Non-banking financial institutions	3,918,478	7,516,246
	61,561,219	63,419,931

Notes to the Consolidated Financial Statements continued

18. DEBT SECURITIES

EMTN unsecured Programme – Senior unsecured notes: On 11 April 2012 and on 24 June 2014, the Commercial Bank of Qatar, through CBQ Finance Limited, a wholly-owned subsidiary, completed an issuance of US$ 500 million and US$ 750 million (or QAR 1,820 million and QAR 2,730 million) respectively five year senior unsecured fixed rate notes under its US$ Five billion European Medium Term Note ("EMTN") Programme that it established in 2011. The notes carry a fixed coupon of 3.375% and 2.875% per annum respectively with interest payable semi-annually in arrears and are listed on the London Stock Exchange. The estimated fair value of the EMTN notes as at 31 December 2014 was QAR 4.65 billion (2013: QAR 1.88 billion).

Subordinated Notes: On 18 November 2009, the Commercial Bank of Qatar, through CBQ Finance Limited, a wholly-owned subsidiary, completed the issuance of US$ 600 million or QAR 2,184 million ten-year Subordinated Notes paying a fixed coupon of 7.50% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of ten years. The estimated fair value of the Subordinated Notes as at 31 December 2014 was QAR 2.61 billion (2013: QAR 2.57 billion).

These notes have been irrevocably guaranteed by the Commercial Bank of Qatar and are listed and traded on the London Stock Exchange.

CHF denominated Fixed Rate Bond: On 7 December 2010, the Commercial Bank of Qatar through CBQ Finance Limited, a wholly-owned subsidiary, completed the issuance of a CHF 275 million five year bond paying a fixed coupon of 3.0% per annum. Interest and 0.01% agency commission is payable annually in arrears and the principal is payable in full at maturity of five years. This bond has been irrevocably guaranteed by the Commercial Bank of Qatar and is listed and traded on the 'SIX' Swiss Exchange AG, Zurich.

The Group entered into cross currency interest rate swaps to convert its CHF 275 million borrowing into a USD denominated borrowing and pay a floating rate of USD 3 month LIBOR plus applicable margins on the USD notional amount and receive a coupon of 3% per annum on the CHF denominated notional amount.

Figures in thousand Qatar Riyals

	2014	2013
EMTN unsecured Programme – Senior unsecured notes	4,514,279	1,801,099
Senior Notes*	1,335,648	4,120,453
Subordinated Notes	2,677,276	2,695,444
CHF Fixed Rate Bond	1,017,593	1,142,671
Total**	**9,544,796**	9,759,667

* Senior notes with a value of US $1,000 million (or QAR 3,640 million) matured and was repaid on 18 November 2014.

**Debt Securities includes QAR 1,336 million (2013: QAR 488 million) of senior notes and QAR 515 million (2013: QAR 536 million) Subordinated notes of Abank. During the year Abank issued senior notes of US $250million (or QAR 910 million) for a period of 5 years at a fixed rate of 3.125 %, which is guaranteed by Commercial bank.

Movements in debt securities are analysed as follows:

Figures in thousand Qatar Riyals

	2014	2013
Balance at beginning of the year	9,759,667	8,705,816
Acquisition of subsidiary	-	1,187,861
Additions	4,064,863	515,870
Repayments	(4,020,435)	(563,265)
Fair value adjustment	(125,404)	11,815
Amortisation of discount and transaction cost	19,363	17,298
Exchange difference	(153,258)	(115,728)
Balance at 31 December	**9,544,796**	9,759,667

18. DEBT SECURITIES (continued)

The table below shows the maturity profile of debt securities:

Figures in thousand Qatar Riyals

	2014	2013
Up to 1 year	1,448,427	4,034,434
Between 1 and 3 years	1,806,462	1,228,691
Over 3 years	6,289,907	4,496,542
Balance at 31 December	**9,544,796**	9,759,667

19. OTHER BORROWINGS

Figures in thousand Qatar Riyals

	2014	2013
Syndicated loans	3,629,880	-
Bilateral loans	2,002,069	1,455,945
Club loan	-	1,655,959
Others *	3,707,729	4,233,813
Total	**9,339,678**	7,345,717

*This represents the syndicated loan and other borrowings of Abank.

Movements in other borrowings are as follows:

Figures in thousand Qatar Riyals

	2014	2013
Balance at beginning of the year	7,345,717	3,471,515
Acquisition of subsidiary	-	2,481,462
Additions	6,835,137	4,025,379
Repayments	(4,425,817)	(2,407,427)
Fair value adjustment on consolidation of ABank	(20,717)	186,294
Amortisation of discount and transaction cost	8,487	4,444
Exchange difference	(403,129)	(415,950)
Balance at 31 December	**9,339,678**	7,345,717

The table below shows the maturity profile of other borrowings:

Figures in thousand Qatar Riyals

	2014	2013
Up to 1 year	3,770,556	6,234,715
Between 1 and 3 years	5,068,645	516,162
Over 3 years	500,477	594,840
Balance at 31 December	**9,339,678**	7,345,717

Notes to the Consolidated Financial Statements continued

20. OTHER LIABILITIES

Figures in thousand Qatar Riyals

	2014	2013
Interest payable	161,229	153,668
Accrued expense payable	157,996	174,628
Other provisions (Note i)	178,413	177,940
Negative fair value of derivatives (Note 36)	209,300	387,143
Unearned income	68,171	68,814
Cash margins	275,833	184,373
Accounts payable	372,678	352,552
Directors' remuneration	18,000	18,000
Social & sports activities support fund ("Daam") (Note 23)	48,505	40,135
Dividend payable	12,139	18,843
Managers' cheque and payment order	27,619	58,336
Unclaimed balances	11,580	10,149
Due for trade acceptances	383,078	299,831
NCI – put option fair value	723,721	512,761
Deferred tax liabilities	134,227	168,280
Income tax payable	30,755	27,198
Others	572,792	779,594
Total	**3,386,036**	3,432,245

(i) Other provisions

Figures in thousand Qatar Riyals

	Provident fund (a)	Pension fund (b)	Total 2014	Total 2013
Balance at 1 January	176,458	1,744	178,202	143,694
Acquisition of subsidiary	-	-	-	8,538
Provision made during the year (note 31)	34,032	9,042	43,074	34,378
Earnings of the fund	5,044	-	5,044	4,579
Provident fund – staff contribution	7,690	4,003	11,693	11,586
Transferred to state retirement fund authority	-	(13,388)	(13,388)	(11,552)
Payment during the year	(45,458)	-	(45,458)	(12,390)
Exchange difference	(754)	-	(754)	(893)
Balance at 31 December	**177,012**	**1,401**	**178,413**	177,940

(a) The provident fund includes the Group's obligations for end of service benefits to expatriate staff per Qatar labour law and the employment contracts.

(b) Pension fund contributions in respect of the national staff are paid to the State administered retirement fund at the end of each month. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized when they are due.

21. EQUITY

(a) Share capital

The issued, subscribed and paid up capital of the Bank is QAR 2,969,356,460 (2013: QAR 2,474,463,720) divided into 296,935,646 (2013: 247, 446,372) ordinary shares of QAR 10 each.

In thousands of shares	2014	2013
On issue at the beginning of the reporting period	247,446	247,446
Bonus shares issued	49,490	-
In issue at 31 December	**296,936**	247,446

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' Annual/Extra-ordinary General meeting of the Bank.

(b) Legal reserve

The Legal Reserve of Commercial Bank and Abank are QAR 8,740 million (2013: QAR 8,740 million) and QAR 80 million (2013: QAR 80 million) respectively, totalling QAR 8,820 million (2013: QAR 8,820 million)

In accordance with Qatar Central Bank Law No 33 of 2006 as amended, 10% of the net profit of the year is required to be transferred to legal reserve. Share premium collected from the issuance of new shares also transferred to legal reserve. Transfer to legal reserve from net profit is mandatory until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in Qatar Commercial Companies Law No 5 of 2002 and is subject to pre-approval from QCB.

In accordance with the Turkish Commercial code, an entity is required to transfer 5% of net profit until the legal reserve is equal to 20% of issued and fully paid up share capital. Rate for transfer to legal reserve goes up to 10% of net profit allocated for distribution excluding the first 5% of the allocated profit. Share premium and proceeds from cancelled shares, if any net of related expenses are also transferred to legal reserve.

(c) General reserve

As per the Bank's Articles of Association, the general reserve may only be used in accordance with a resolution from the General Assembly upon the Board of Directors recommendation and after obtaining Qatar Central Bank approval.

(d) Risk reserve

In accordance with QCB regulations, a risk reserve should be created to cover contingencies on both the public and private sector financing assets, with a minimum requirement of 2.50% of the total loans and advances of the Group inside and outside Qatar after the exclusion of the specific provisions and interest in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees is excluded from the gross direct finance. From distributable profit of the year, the total amount of transfer made to the risk reserve was QAR 392 million (2013: QAR 392 million).

(e) Fair value reserves

The fair value reserve arises from the revaluation of the available-for-sale investments and change of post acquisition fair value reserve of its associates.

(f) Other reserves

This represents the Group's share of profit from investment in associates and joint ventures, net of cash dividend received, as required by QCB regulations as follows:

Figures in thousand Qatar Riyals

	2014	2013
Balance as at 1 January	835,840	673,604
Share of result of associates (note 12)	381,166	324,933
Dividend from associates (note 12)	(118,916)	(162,697)
Net movement	262,250	162,236
Balance as at 31 December	**1,098,090**	835,840

Notes to the Consolidated Financial Statements continued

21. EQUITY (continued)

(g) Proposed cash dividend and bonus shares

The Board of Directors has proposed a cash dividend of 35% (or QAR 3.5 per share) for the year 2014. The Board of Directors has also proposed a bonus share issue of 10% of the Bank's capital as at 31st December 2014 (2013: 20%). These proposals are subject to approval at the Annual General Assembly.

(h) Dividends paid

During the year, the shareholders received a dividend of QAR 2 per share totalling QAR 495 million in respect of the year ended 31 December 2013 (2013: QAR 6 per share totalling QAR 1.48 billion in respect of the year ended 31 December 2012).

(i) Instrument eligible for additional capital

In December 2013 the Bank raised additional tier 1 capital by issuing unsecured perpetual non-cumulative unlisted Tier 1 notes for an amount of QAR 2 billion. The distributions (i.e. coupon payments) are discretionary and non-cumulative and priced at a fixed rate of 6% per annum, payable semi-annually until the first call date (i.e. 1 December 2019), and thereafter to be reset at a prevailing 5 year mid-swap rate plus margin every sixth year.

The Note is ranked junior to the Bank's existing unsubordinated obligations including existing subordinated debt and depositors, pari passu to all current and future subordinated obligations and senior to the ordinary shares issued by the Bank

The Note has no fixed redemption date and the Bank can only redeem the Note in the limited circumstance as mentioned in the term sheet i.e. regulatory / tax redemption and other general redemption conditions solely at the Bank's discretion. The Bank might be required to write-off the proposed Capital issue, if a "loss absorption" event is triggered and the Bank has non-discretionary obligation to deliver cash or financial assets or settle the Note in variable equity instruments. These notes have been classified under equity.

During the year bank paid a 6% dividend amounting to QAR 120 million in respect of the year ended 31 December 2014 (2013: QAR Nil).

22. OTHER COMPREHENSIVE INCOME

Figures in thousand Qatar Riyals

	2014	2013
Available-for-sale investments:		
Positive change in fair value	323,986	111,254
Negative change in fair value	(17,719)	(307,898)
Net change in fair value	306,267	(196,644)
Net amount transferred to profit or loss*	(62,347)	(95,182)
	243,920	(291,826)
Foreign currency translation differences for foreign operation	(239,955)	(232,988)
Share of other comprehensive income of associates	(6,392)	(17,924)
Total other comprehensive income	**(2,427)**	(542,738)

*Net amount transferred to profit or loss includes a positive change in fair value of QAR 62.6 million (2013: QAR 101.4 million) and a negative change in fair value of QAR 0.3 million (2013: QAR 6.2 million).

23. CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES SUPPORT FUND ("DAAM")

Pursuant to Law No. 13 of 2008, the Bank made an appropriation of QAR 48.5 million (2013: QAR 40.1 million) from retained earnings for its contribution to the Social and Sports Activities Support Fund ("Daam") of Qatar. This amount represents 2.5% of the net profit for the year ended 31 December 2014.

24. INTEREST INCOME

Figures in thousand Qatar Riyals

	2014	2013
Loans and advances to customers	3,833,458	2,909,269
Debt securities	651,448	591,425
Amounts deposited with banks	146,015	99,955
Amounts deposited with central banks	10,190	6,497
	4,641,111	3,607,146

25. INTEREST EXPENSE

Figures in thousand Qatar Riyals

	2014	2013
Customer deposits	1,136,497	697,953
Debt securities	519,657	476,029
Other borrowings	128,371	101,709
Amount deposited by banks	275,920	143,096
	2,060,445	1,418,787

26. FEE AND COMMISSION INCOME

Figures in thousand Qatar Riyals

	2014	2013
Loans and financing advisory services	473,544	427,449
Credit and debit card fees	323,326	236,729
Indirect credit facilities	137,450	123,130
Banking and other operations	186,270	45,480
Investment activities for customers	49,663	19,685
	1,170,253	852,473

27. FEE AND COMMISSION EXPENSE

Figures in thousand Qatar Riyals

	2014	2013
Credit and debit card fees	225,538	148,661
Brokerage services	40,955	3,121
Others	24,148	25,101
Total	**290,641**	176,883

28. NET FOREIGN EXCHANGE GAIN

Figures in thousand Qatar Riyals

	2014	2013
Dealing in foreign currencies	250,203	534,599
Revaluation of monetary assets and liabilities	(130,547)	(355,211)
	119,656	179,388

Notes to the Consolidated Financial Statements continued

29. INCOME FROM INVESTMENT SECURITIES

Figures in thousand Qatar Riyals

	2014	2013
Net gain on disposal of available-for-sale securities	166,787	193,450
Dividend income	16,504	18,854
Gain / (loss) on investment securities at fair value through income statement	2,179	(2,770)
	185,470	209,534

30. OTHER OPERATING INCOME

Figures in thousand Qatar Riyals

	2014	2013
Gain on sale of property and equipment and other income	87,357	135,606
Rental income	42,626	41,465
Management fees from associates	7,082	3,954
	137,065	181,025

31. STAFF COSTS

Figures in thousand Qatar Riyals

	2014	2013
Salary & allowances	754,014	614,488
Health care and medical insurance expenses	21,340	19,453
Staff end of services and pension fund contribution (Note 20 (i))	43,074	34,378
Training & education	14,039	16,381
	832,467	684,700

32. OTHER EXPENSES

Figures in thousand Qatar Riyals

	2014	2013
Marketing and advertisement	95,282	93,643
Professional fees	73,542	110,940
Communication, utilities and insurance	55,940	56,701
Board of Directors' remuneration	18,000	18,000
Directors' meeting attendance fees	630	2,490
Occupancy, IT consumables and maintenance	68,437	75,770
Travel and related costs	10,395	8,515
Printing and stationery	4,703	8,123
Outsourcing service costs	84,953	72,851
Others	180,080	161,709
	591,962	608,742

33. EARNINGS PER SHARE

Earnings per share of the Bank is calculated by dividing profit for the year attributable to the equity holders of the Bank by the weighted average number of ordinary shares in issue during the year:

Figures in thousand Qatar Riyals

	2014	2013
Profit for the year attributable to the equity holders of the Bank	1,880,316	1,604,485
Less: Dividend on instrument eligible for additional capital	(120,000)	-
Profit for EPS calculation	**1,760,316**	1,604,485
Weighted average number of outstanding ordinary shares in thousands*	296,935	296,935
Earnings per share (QAR)	**5.93**	5.40

*Number of ordinary share of 2013 restated for 20% Bonus share issue.

34. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Figures in thousand Qatar Riyals

	2014	2013
a) **Contingent liabilities**		
Unutilized credit facilities	6,156,369	7,980,374
Guarantees	21,449,106	18,569,021
Letters of credit	4,046,513	5,408,175
Total	**31,651,988**	31,957,570
b) **Other commitments**		
Forward foreign exchange contracts and derivatives at notional value	16,002,708	33,744,712
Capital commitments	399,857	488,504
Total	**16,402,565**	34,233,216

Unused facilities

Commitments to extend credit represent contractual commitments to make loans and revolving credits. The total contractual amounts do not necessarily represent future cash requirements, since commitments may expire without being drawn upon.

Guarantees and Letters of credit

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

Lease commitments

The Group leases a number of branches and office premises under operating leases. Lease rentals are payable as follows:

Figures in thousand Qatar Riyals

	2014	2013
Less than one year	2,725	25,342
Between one and five years	124,782	12,029
More than five years	9,829	1,442
	137,336	38,813

Notes to the Consolidated Financial Statements continued

35 CASH AND CASH EQUIVALENTS

Figures in thousand Qatar Riyals

	2014	2013
Cash and balances with central banks *	2,803,095	2,974,770
Due from banks up to 90 days	9,946,582	11,889,904
	12,749,677	14,864,674

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

36. DERIVATIVES

Figures in thousand Qatar Riyals

				Notional / expected amount by term to maturity			
	Positive fair value	**Negative fair value**	**Notional amount**	**within 3 months**	**3 - 12 months**	**1-5 years**	**More than 5 years**
At 31 December 2014:							
Derivatives held for trading:							
Interest rate swaps	162,315	160,674	2,967,174	12,816	46,130	270,180	2,638,048
Forward foreign exchange contracts and others	59,173	23,799	11,581,046	8,685,304	1,406,729	1,489,013	-
Derivatives held for fair value hedges:							
Cross currency interest rate swaps	-	11,415	1,029,306	-	1,029,306	-	-
Derivatives held for cash flow hedges:							
Forward foreign exchange	2,269	-	81,196	38,944	-	42,252	-
Interest rate swaps	-	13,412	343,986	-	-	343,986	-
Total	**223,757**	**209,300**	**16,002,708**	**8,737,064**	**2,482,165**	**2,145,431**	**2,638,048**
At 31 December 2013:							
Derivatives held for trading:							
Interest rate swaps	207,073	204,762	3,196,091	12,153	215,746	255,996	2,712,196
Forward foreign exchange contracts and others	259,115	182,381	29,519,315	22,092,798	7,325,038	101,479	-
Derivatives held for fair value hedges:							
Cross currency interest rate swaps	113,988	-	1,029,306	-	-	1,029,306	-
Total	580,176	387,143	33,744,712	22,104,951	7,540,784	1,386,781	2,712,196

The bank maintains strict control limits on net open derivative positions, i.e. the difference between purchase and sale contracts, by both amount and term. At any one time the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e. assets) which in relation to derivatives is only a small fraction of the contract or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counter-parties.

37. INVESTMENT CUSTODIAN

As at the end of the reporting date, the Group holds QAR 268 million (2013: QAR 189 million) worth of international investment securities on behalf of its customers. Out of this amount, investment securities with a value of QAR 223 million (2013: QAR 135 million) are held with an international custody and settlement house. The remaining investment securities are held with the financial institutions through whom the securities were purchased. These financial institutions are industry leaders in their respective fields. The Group has established maximum limits for such holding with each financial institution according to its risk management policy.

38. RELATED PARTIES

The Group carries out various transactions with subsidiaries, associate companies, members of the Board of Directors and the executive management or companies in which they have significant interest or any other parties of important influence in the Group's financial or operations decisions. The balances at the year end with these accounts were as follows:

Figures in thousand Qatar Riyals

	2014	2013
Board members		
- Loans, advances and financing activities (a)	1,646,600	2,143,286
- Deposits	272,589	416,133
- Contingent liabilities, guarantees and other commitments	5,603	33,481
- Interest income earned from facilities granted to board members	9,982	12,292
- Other fee income earned from transactions with board members	550	1,268
- Interest paid on deposits accounts of board members	9,495	10,306
- Remuneration, meeting attendance fees and salaries paid to board members	19,190	23,850
Associated companies		
- Due from banks	506,181	364,729
- Due to banks	95,313	482,504
- Deposits	12,363	26,931
- Contingent liabilities	757,271	757,877
- Interest earned from Associates	1,124	776
- Interest paid to Associates	404	357
Senior management compensation/Transaction		
- Fixed remuneration	67,520	44,717
- Discretionary remuneration	26,704	26,344
- Fringe benefits	3,014	4,242
- Loans and advances (b)	9,366	20,820

(a) A significant portion of the loans, advances and financing activities' balance at 31 December with the members of the Board and the companies in which they have significant influence are secured against tangible collateral or personal guarantees. Moreover, the loans, advances and financing activities' are performing satisfactorily with all obligations honored as arranged. In the opinion of the management the pricing of any such transactions are primarily based on the banker customer relationship at the prevailing market rates.

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

39. OTHER EQUITY - PUT OPTION

In 2013 the Group acquired 74.24% of the ordinary shares and voting interest in Abank. For the remaining ordinary shares a put option is held by the non-controlling shareholder of ABank. Although the Group considers there is only a small likelihood of the put option being exercised, IAS 32 Financial Instruments - Presentation requires the present value of the potential amount payable to be recognized as a liability regardless of the probability of exercise of the put option, as this is not within the Group's control.

Financial Statements of the Parent

a. Statement of Financial Position – Parent

As at 31 December

Figures in thousand Qatar Riyals

	2014	2013
ASSETS		
Cash and balances with central bank	4,817,430	4,761,821
Due from banks	15,843,404	15,128,956
Loans and advances to customers	58,936,439	54,613,243
Investment securities	10,181,121	11,486,220
Investment in associates and subsidiaries	5,645,954	5,641,612
Property and equipment	1,258,893	1,223,509
Other assets	1,778,221	1,808,376
TOTAL ASSETS	**98,461,462**	94,663,737
LIABILITIES		
Due to banks	13,269,035	9,816,471
Customer deposits	53,128,421	55,285,405
Debt securities	7,694,511	8,734,929
Other borrowings	5,631,949	3,111,904
Other liabilities	2,478,706	2,232,518
TOTAL LIABILITIES	**82,202,622**	79,181,227
EQUITY		
Share capital	2,969,356	2,474,464
Legal reserve	8,740,365	8,740,365
General reserve	26,500	26,500
Risk reserve	1,487,500	1,316,300
Fair value reserves	109,364	(40,529)
Other equity	(723,721)	(512,761)
Retained earnings	1,649,476	1,478,171
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK	**14,258,840**	13,482,510
Instrument eligible for additional capital	2,000,000	2,000,000
TOTAL EQUITY	**16,258,840**	15,482,510
TOTAL LIABILITIES AND EQUITY	**98,461,462**	94,663,737

Financial Statements of the Parent continued

b. Income Statement – Parent

For the year ended 31 December

Figures in thousand Qatar Riyals

	2014	2013
Interest income	2,981,833	2,900,659
Interest expense	(1,019,987)	(1,026,856)
Net interest income	**1,961,846**	1,873,803
Fee and commission income	864,504	741,917
Fee and commission expense	(246,141)	(160,257)
Net fee and commission income	**618,363**	581,660
Foreign exchange gain	166,494	161,406
Income from investment securities	184,238	253,923
Other operating income	112,833	105,268
Net operating income	**3,043,774**	2,976,060
Staff costs	(550,141)	(530,798)
Depreciation	(126,652)	(131,148)
Impairment loss on investment securities	(49,811)	(109,937)
Net impairment loss on loans and advances to customers	(515,983)	(460,429)
Other expenses	(419,306)	(464,557)
Profit before dividend income from associates	**1,381,881**	1,279,191
Dividend income from associates	118,916	162,697
Profit for the year	**1,500,797**	1,441,888