everything is possible

COMMERCIAL BANK

Annual Report 2013

Creating Opportunities

His Highness
Sheikh Hamad bin Khalifa Al Thani
Father Emir

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

Contents

Everything is possible

Qatar's National Vision 2030 looks to the future of our nation and reflects the aspirations, objectives and culture of the Qatari people. It illustrates the fundamental choices that are available to us and inspires us to develop a set of common goals that ensure a prosperous future. We at Commercial Bank have been supporting Qatar through driving development since opening our doors in 1975, bringing excellence in banking to our customers, offering rewarding careers and opportunities to thousands of Qataris over the years, and playing our part in broadening and diversifying our nation's economy.

Qatar's National Vision rests on four pillars – Human Development, Social Development, Economic Development and Environmental Development, and everything we do at Commercial Bank is underpinned by supporting at least one of these pillars, a spirit and commitment that flows through all of our activities.

At Commercial Bank, we are inspired by Qatar and the visionary leadership of His Highness Sheikh Tamim bin Hamad Al Thani, Emir of the State of Qatar. This year's Annual Report takes its theme from the opportunities the Bank creates to support the National Vision and help provide a high standard of living for all Qatar's people for generations to come.

Commercial Bank has been growing with Qatar for nearly four decades and we look forward to continuing to support the nation in achieving the goals and aims of Vision 2030.

Where there's a way, we'll find it.


Total assets
Up 41% from 2012
113bn
14.1%
Capital strength
Total regulatory
capital ratio

Business at a Glance

Our changing world

- **1974** Commercial Bank is incorporated as Qatar's first private sector bank.
- **1975** The Bank begins operations under a management-services contract with Chase Manhattan Bank.
- **1981** The contract with Chase Manhattan Bank officially ends as a result of Commercial Bank's consistent success and growth. Commercial Bank, fully independent, is now able to build on shareholder funds, reserves and fully invest in the Bank's expansion.
- **1987** A new Commercial Bank head office opens on Grand Hamad Street.
- **1990** ATMs are introduced in Qatar by Commercial Bank.
- **1991** Commercial Bank acquires the Diners Club Franchise for Qatar.
- **1992** Point-of-sale machines are introduced in Qatar by Commercial Bank.
- **1997** Dedicated Customer Call Centre is established.
- **2005** Commercial Bank forms a strategic alliance with National Bank of Oman.
- **2006** Commercial Bank signs an agreement to become the title sponsor for the Qatar Masters golf tournament.
- **2007** Commercial Bank forms a strategic alliance with United Arab Bank in the UAE.
- **2008** First Qatari bank to list GDRs on the London Stock Exchange.
- **2009** Commercial Bank Plaza, the new headquarters of Commercial Bank, is opened on 13 May 2009 by H E Sheikh Hamad bin Jassim bin Jaber Al-Thani, Prime Minister and Minister for Foreign Affairs of Qatar.
- **2010** First Qatari bank to list bond issue on the SIX Swiss Exchange.
- **2011** Incorporates Commercial Bank Investment Services.
- **2012** A strategic partnership with Katara Cultural Village Foundation is announced.
- **2013** Commercial Bank acquires 74.24% shareholding in Alternatifbank in Turkey.

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 33 full service branches and 154 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 Alternatifbank 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 113 billion at 31 December 2013, and a capital adequacy ratio of 14.1% – well above the minimum 10% 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 64 branches in Oman, one in Egypt and one in the United Arab Emirates.

United Arab Bank (P.J.S.C.) Operates through 25 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.

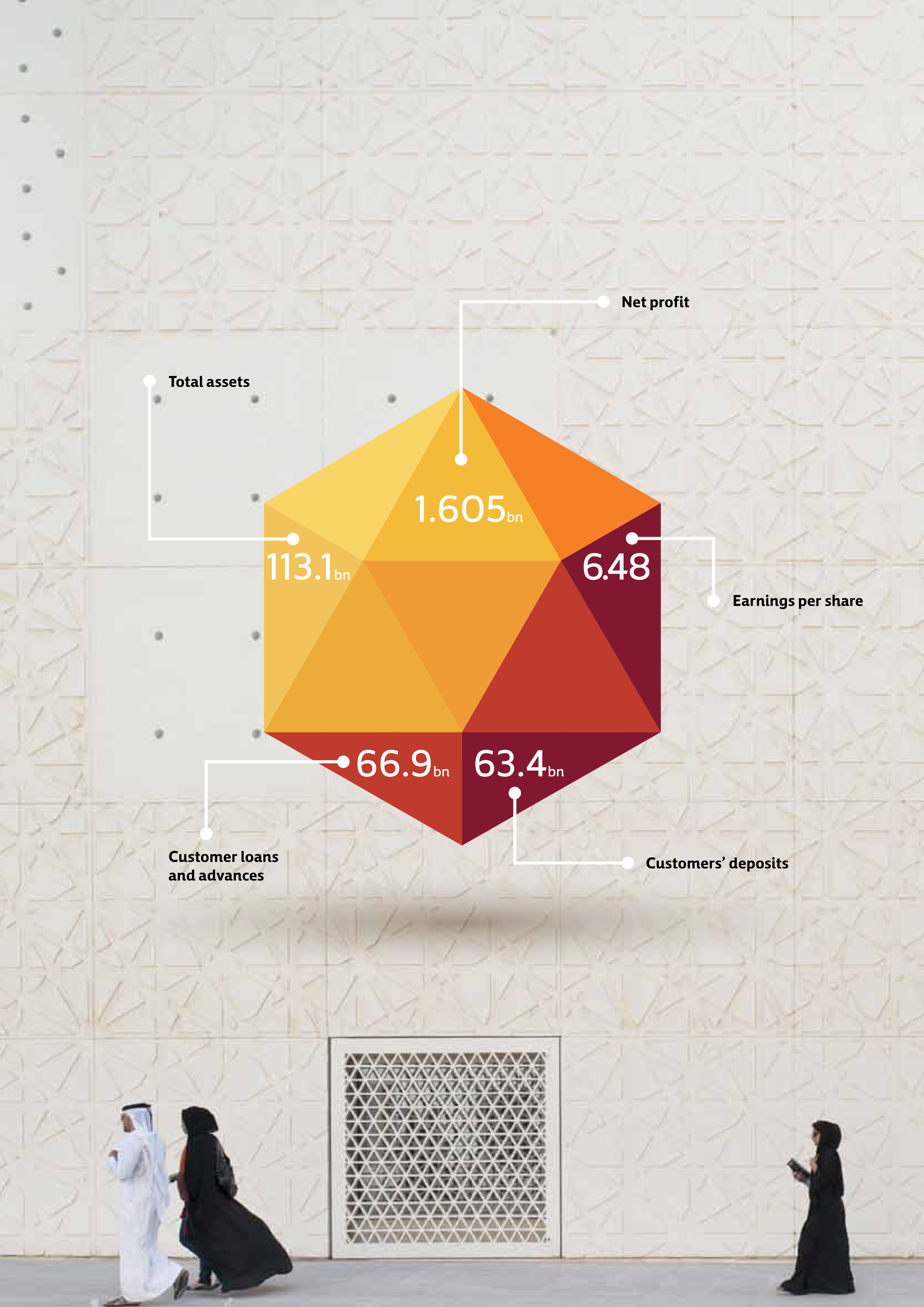
Financial Highlights

Financial highlights

QAR million, except per share amounts and as stated otherwise	**2013**	2012	2011	2010	2009
Net interest income	**2,188**	1,866	1,938	1,695	1,584
Net operating income	**3,434**	2,984	2,864	2,562	2,778
Net profit	**1,605**	2,012	1,884	1,635	1,524
Total assets	**113,112**	80,038	71,638	62,520	57,317
Lending to customers	**66,863**	48,594	41,712	33,567	31,929
Basic/diluted earnings per share in QAR	**6.48**	8.13	7.71	7.24	7.08
Dividends declared per ordinary share including bonus shares in QAR	**4.00**	6.00	6.00	7.00	6.00
Closing market price per ordinary share in QAR (at year end)	**70.80**	70.90	84.00	92.00	61.50
Book value per ordinary share in QAR	**66.90**	60.37	57.51	55.11	55.47
Long-term debt (at year end)	**17,105**	12,177	11,054	10,994	6,096
Shareholders' equity (at year end)	**16,555**	14,939	14,230	12,500	12,010
Return on average shareholders' equity	**10.19%**	13.80%	14.10%	13.34%	13.86%
Return on average assets	**1.66%**	2.65%	2.81%	2.73%	2.56%
Capital adequacy ratio	**14.06%**	17.00%	17.91%	18.49%	18.86%
Full-time employees (at year end)	**1,154**	1,114	1,115	1,207	1,239

Key highlights

- Net operating income up 15.1% to QAR 3.43 billion, increased from QAR 2.98 billion in 2012
- Non-interest income up 11.4% to QAR 1.246 billion compared with QAR 1.118 billion for the same period in 2012 due to higher fee and commission income, higher foreign exchange income combined with lower income from investments securities
- Total assets up 41% to QAR 113.1 billion
- Net profit for the year declined by 20% to QAR 1.605 billion compared with QAR 2.012 billion achieved in 2012
- Loans and advances to customers up 38% to QAR 66.9 billion, through credit growth in government, contracting, real estate and other sectors
- Customers' deposits up 53% to QAR 63.4 billion
- Net provisions for loans and advances were QAR 604 million, up 332% from QAR 140 million provided in the same period for 2012
- Contribution of Commercial Bank's associates to the Bank's net profit increased by 26% to QAR 325 million compared with QAR 259 million for 2012


Net profit
1.605bn
Total assets
113.1bn
6.48
Earnings per share
66.9bn
63.4bn
Customer loans and advances
Customers' deposits

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.

**Net Profit
Million (QAR)**

- 2013 – 1,605
- 2012 – 2,012
- 2011 – 1,884

**Net Operating Income
Million (QAR)**

- 2013 – 3,434
- 2012 – 2,984
- 2011 – 2,864

**Total Assets
Million (QAR)**

- 2013 – 113,112
- 2012 – 80,038
- 2011 – 71,638

**Loans & Advances
Million (QAR)**

- 2013 – 66,863
- 2012 – 48,594
- 2011 – 41,712

**Customer Deposits
Million (QAR)**

- 2013 – 63,420
- 2012 – 41,386
- 2011 – 37,989

**Shareholders' Equity
Million (QAR)**

- 2013 – 16,555
- 2012 – 14,939
- 2011 – 14,230

Developing leadership skills

As an organisation with deep roots in Qatar, we are dedicated to investing in and developing human capital. We provide talented young Qatari individuals with world-class training through our partnerships with leading universities and equip them with skills that lead to rewarding career opportunities.

Members of the Future Leaders Programme travelled to the United Kingdom in October 2013 to receive graduation certificates from the Judge Business School at the University of Cambridge. The Programme is designed to fast-track young employees who have the potential to fulfil leadership roles within Commercial Bank.

"Commercial Bank's strategy, like its history, is a long-term vision, and the investment decisions we make now will serve the economy of Qatar, its shareholders, customers and employees well into the future."

Chairman's Report

I am pleased to present the Commercial Bank of Qatar's Annual Report for the year ended 31 December 2013 on behalf of the Board of Directors.

2013 was a significant year for the global and Qatari economies. For five years the global economy has felt the effect of the global financial crisis – 2013 was the year in which we started to see positive economic momentum being generated by central banks' monetary policy and growing business confidence in developed markets. Where we have seen global growth supported by the growth of emerging markets, 2013 saw a turning point in the growth prospects of developing and developed markets. Central banks in the US, Europe and Japan continued to implement significant quantitative easing programmes and held interest rates down to stimulate economic growth in their economies. The Eurozone came out of recession and in Japan and the US, consumers paid down debt and resumed spending, although businesses remained wary of committing investment or hiring new employees. Conversely, emerging markets including the likes of Brazil and India witnessed a reduction in domestic demand as interest rates were increased to prevent inflation. However, the second half of the year saw positive developments in terms of global growth with developed economies providing the stimulus to growth with the IMF now expecting global growth to move slightly higher to 3.7% in 2014.

Against this recovery and rebalancing of global growth during 2013, the Qatari economy continued to grow at a strong rate. Real GDP growth for Qatar in 2013 is projected to grow at 6%, a slight increase to previous forecasts. The main stimulus to the development of Qatar's GDP during 2013 was due to higher gas production. Government spending is projected to increase 10.8% during 2013 as investment continues into the country's infrastructure as part of the National Vision. Approximately USD 140 billion will be spent by Qatar over the next decade on essential infrastructure such as roads, airports, healthcare, education and housing. Significantly, spend on hydrocarbon investment has reduced, with an increasing amount of government spend being directed into different sectors of the economy to stimulate growth and economic activity outside of the hydrocarbon sector, as indicated by Qatar's National Vision 2030.

Commercial Bank was again a significant supporter of the National Vision as its lending and financial services helped investment across a range of sectors essential to Qatar's economic growth and development. Our ability to offer world-leading financial services to corporates, SMEs and consumers helps to create a world of opportunities for our customers. 2013 was an important year for Commercial Bank as it saw our first acquisition of a subsidiary business, Alternatifbank (ABank) in Turkey. From the success we have created through our minority ownership in United Arab Bank in the UAE and National Bank of Oman in Oman, we knew that our Alliance strategy should be implemented elsewhere in the region to capture future growth and diversify Commercial Bank's risk profile. ABank stood out as the most prominent choice as it offers Commercial Bank the opportunity to build a leading bank in what will be the long-term growth opportunity of Turkey, a vibrant economy sitting between Europe and the Gulf with close cultural and trade links with the Gulf region.

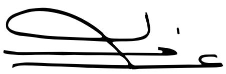
2013 was a year where Commercial Bank refined its strategy to ensure its ability to generate long-term, stable growth for its shareholders. We continued to anticipate how our world is changing and take advantage of new opportunities. We believe the future of banking will be typified by slower growth and lower returns, but, for those banks with the right strategy, increasingly stable and reliable streams of profitable returns will be generated. The acquisition of ABank was part of that refinement: to capture the opportunity of future growth. The acquisition, and our decision to make impairments against lending, has affected our profitability for the year compared to our 2012 performance. However, Commercial Bank's strategy, like its history, is a long-term vision, and the investment decisions we make now will serve the economy of Qatar, its shareholders, customers and employees well into the future. The QAR 2 billion of Additional Tier 1 capital raised in December and the strategic decisions taken during the year will see Commercial Bank well positioned for its next phase of growth.

The Board of Directors is recommending a cash dividend of 20%, which equates to QAR 2 per share, and bonus shares of 20% (one bonus share for every five held) for approval at the Annual General Assembly.

The global economic momentum of the second half of 2013 is carrying into 2014 and growth forecasts for many developed economies are being revised upwards although some risks remain to the global economy as we move into 2014, with the Fed's delicate tapering yet to be undertaken. Qatar's own growth is expected to reduce to 4.6% in 2014 as output from maturing oilfields contracts and gas productions level out. However, with the additional funding of QAR 2 billion which we raised in December and our clear strategy, we see significant opportunity across our businesses in Qatar, the UAE, Oman and Turkey to continue delivering profitable growth.

On behalf of the Board of Directors, I would like to express our sincere appreciation for the visionary leadership of His Highness Sheikh Tamim Bin Hamad Al Thani, Emir of the State of Qatar, and for the guidance and support received from His Excellency the Minister of Economy and Finance 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 Khalifa Al Attiyah
Chairman

Board of Directors

Standing from left:

Sh. Ahmed Bin Nasser Bin Faleh Al Thani – Director
Mr. Jassim Mohammad Jabor Al Mosallam – Director
Mr. Andrew Stevens – Group Chief Executive Officer
Mr. Abdulla Saleh Al Raisi – Chief Executive Officer
Sh. Jabor Bin Ali Bin Jabor Al Thani – Director
Mr. Omar Hussain Alfardan – Director
Mr. Abdullah Mohd Ibrahim Al Mannai – Director
Mr. Khalifa Abdullah Al Subaey – Director

Seated from left:

Sh. Abdullah Bin Ali Bin Jabor Al Thani – Vice Chairman
H.E. Abdullah Bin Khalifa Al Attiyah – Chairman
Mr. Hussain Ibrahim Alfardan – Managing Director


COMMERCIAL BANK


دريمة
Dhreima
Qatar Orphan Foundation المؤسسة القطرية لرعاية الأيتام
البنك التجاري
COMMERCIAL
BANK

Supporting community initiatives

Recognising the human endeavours involved in building a great nation, we support a broad range of local charitable organisations and community initiatives, such as Qatar Charity, Al Noor Institute for the Blind, Shafallah Centre for children with special needs, Dhreima Qatar Orphan Foundation and the Home for the Elderly, which reflects the Bank's strong community values and heightens our sense of social responsibility.

Volunteers from the Bank distribute National Day mementos at various community organisations in December 2013 to celebrate our nation's achievements with all members of Qatari society.

“Commercial Bank delivered strong balance sheet growth in 2013 increasing total assets by 41% to QAR 113 billion compared to QAR 80 billion in 2012, which includes QAR 19 billion of assets from ABank.”

Managing Director's Report

Commercial Bank refined its strategy during 2013 to enhance the Bank's ability to deliver profitable growth to its shareholders over the long term.

We continued to invest in our Qatari business during the year as well as build and deliver alternative sources of income. We made an important appointment in the form of Abdulla Saleh Al Raisi as CEO of Commercial Bank in Qatar, who will focus on generating continued value from our home market. Abdulla's appointment means that our Group CEO, Andrew Stevens, can now focus on the Bank's overall performance, policy and strategy, as well as our international expansion and the management of our current investments in the UAE, Oman and Turkey. Our partnership with our Alliance banks, United Arab Bank (UAB) and the National Bank of Oman (NBO), continued to deliver strong performances for the Group. To diversify our growth potential, in July 2013 we acquired a majority stake in Alternatifbank (ABank) in Turkey. This builds on the success we have generated through our investments in our associate banks to date, and allows us to harness the significant long term growth potential of the Turkish market and growing trade flows between the Gulf and Turkey.

Commercial Bank's net profit for the year was QAR 1.6 billion. Our profit level was affected by our decision to make prudent, higher provisions for a small number of loans, and our strategic acquisition of ABank in Turkey. Net operating income increased by 15% to QAR 3,434 million for the year ended 31 December 2013, up from QAR 2,984 million achieved in 2012. ABank delivered a net operating income of QAR 445 million for the second half of 2013 following its consolidation into the Commercial Bank Group.

The Bank's net provisions for impairment losses increased to QAR 714 million in 2013 compared with QAR 202 million in 2012, and comprised provisions of QAR 604 million for loans and advances and QAR 110 million for financial investments. Although our non-performing loan ratio increased marginally to 3.6% in December 2013 from 3.3% at 30 September 2013, the coverage ratio improved to 63% as at December 2013 compared to 53% in September 2013. Impairment provisions on the Bank's investment portfolio increased to QAR 110 million for the year ended 31 December 2013 compared with QAR 62 million in 2012, reflecting a general decline in the valuations of certain emerging market equities and currency fluctuation.

Commercial Bank delivered strong balance sheet growth in 2013 increasing total assets by 41% to QAR 113 billion compared to QAR 80 billion in 2012, which includes QAR 19 billion of assets from ABank. Balance sheet growth was driven by QAR 18 billion in lending to customers, higher balances held with Central Banks and other financial institutions which were up QAR 9 billion, combined with an increase of QAR 3.5 billion in financial investments.

Loans and advances to customers were up 38% to QAR 66.9 billion at 31 December 2013, compared with QAR 48.6 billion at the end of 2012. The growth in lending in 2013 was generated mainly through credit growth in the real estate and services sectors. Loans and advances to customers of QAR 11.5 billion at ABank were included at 31 December 2013.

Customers' deposits have grown by 53% to QAR 63.4 billion at 31 December 2013, compared with QAR 41.4 billion in 2012, supporting Commercial Bank's growth in lending. The increase in deposits has come mainly from higher demand and savings balances and the inclusion of QAR 8.1 billion for ABank. The Bank remains both well capitalised and funded to target growth in the years ahead. In December 2013, Commercial Bank issued additional Tier 1 capital of QAR 2 billion which strengthened our capital position from 12.5% to 14.1% which is above the Qatar Central Bank's required minimum level of 10%.

The Bank sets aside a risk reserve against its lending a non-distributable part of shareholders' equity. At 31 December 2013, the risk reserve was QAR 1,316 million meeting the revised minimum level of 2.5% (2% for end of 2012) set by the Qatar Central Bank for the end of 2013.

Commercial Bank continues to provide a high quality service offering to its customers through different channels structured to meet their specific needs. This year we continued to extend our branch network with the opening of 4 new sites which brought the total number of branches in Qatar to 33; and we intend to open more branches in 2014. Our increased investment in our online and mobile banking platforms has been extremely successful with a significant proportion of our customer base now using their computers, tablets and smartphones to access Commercial Bank's services whilst on the move or at home. The combination of easily accessible world-leading digital banking services combined with knowledgeable and customer focused staff in Commercial Bank branches creates a cost-efficient and customer friendly service for our customers.

I would like to express my sincere appreciation for the visionary and inspirational leadership of His Highness the Emir, Sheikh Tamim bin Hamad Al Thani, for promoting the strong future prospects of the Qatari economy during another turbulent year for the world economy. I would also like to thank His Excellency the Minister of Economy and Finance, and His Excellency the Governor of the Qatar Central Bank for their guidance and support of the banking sector throughout the year.

I would also like to thank Commercial Bank's management and staff for their tireless contribution to our continued success and acknowledge my appreciation for the continued support and encouragement of the Chairman, the Board of Directors and our shareholders.

Hussain Ibrahim Alfardan
Managing Director

Promoting cultural values

We encourage peaceful dialogue and understanding between people, and are committed to supporting the traditional arts and culture of our nation. Our strategic partnership with the Katara Cultural Village reinforces the Bank's dedication to help Qatar's cultural development plans flourish through activities that make the country recognised as a major cultural hub.

Traditional parade inspired by Qatari heritage at Katara. In May 2012 we signed a strategic partnership with Katara reinforcing an aligned vision to invest in the growth of the cultural scene in Qatar.

“Our new position in the Turkish market means that Commercial Bank, UAB and NBO are now in a far better position to capture an increasing share of the value represented by the growing trade and investment flows between Turkey and the GCC region.”

Group CEO's Report

2013 was an important year for the Commercial Bank Group with key management promotions in Commercial Bank of Qatar to drive the Qatari business. During the year we successfully completed the acquisition of a new subsidiary, further expanding the Group footprint across the region.

These strategic steps and investments taken during the course of the year have put Commercial Bank Group in a stronger position to pursue growth and deliver long-term sustainable returns for our investors.

The challenging market conditions of 2012 fed into 2013, with continued uncertainty in global financial markets and the business sector compounded by the ramifications of the Federal Reserve's tapering policy; however, we began to see some improvement in global economic conditions in the second half of the year which provided the much needed confidence that markets and businesses require. Against this economic backdrop Commercial Bank Group continued to execute its strategy of diversified growth to capture value and grow market share through world-leading financial institutions to support the development of Qatar's economy.

One of the most significant events of the year was Commercial Bank's acquisition of Alternatifbank (ABank) in Turkey. As we continue to build Commercial Bank as a leading private sector bank in Qatar diversification of revenue opportunities to mitigate risks across sectors and geographies is vital to ensuring consistent growth. As demonstrated by our successful alliances with United Arab Bank (UAB) and National Bank of Oman (NBO), Commercial Bank's geographic expansion into markets offering growth opportunities, combined with the application of synergies and best practices, has created significant value for UAB and NBO shareholders as well as for Commercial Bank's shareholders. ABank is Commercial Bank's first majority acquisition of a financial institution and its first move into Turkey, through which by working with ABank Management we believe we can build a leading bank in the Turkish market.

Notwithstanding the acquisition of ABank, Commercial Bank maintained focus on the continued development of our Qatar, UAE and Oman businesses throughout the year. Customers across the Group are increasingly able to benefit from Commercial Bank's complete product and service solutions to their funding and banking needs.

In Qatar, and to help progress the execution of our local strategy, the Board of Directors appointed Abdulla Saleh Al Raisi – a veteran of the Qatari banking sector – as CEO of Commercial Bank of Qatar, in turn enabling myself to pursue and consolidate our international strategy. In 2013, operating profit in Qatar grew by 15% to QAR 3.4 billion. Lending was increased in the corporate market by 38% whilst targeting growth across key sectors such as general trade, services and contractors.

Outside of Qatar we continued to enhance our partnerships with our Alliance partners, UAB in the UAE and NBO in Oman, identifying and implementing products and services across the Alliance network thus ensuring a lower cost of delivery and world-leading products and services for customers. In turn, we intend to take what knowledge and expertise we gain from ABank and share innovations across the Group for the benefit of all. Our position in the Turkish market also means that Commercial Bank, UAB and NBO are now in a better position to capture an increasing share of the value represented by the growing trade and investment flows between Turkey and the GCC region.

Commercial Bank is in a stronger position to generate long-term growth following the strategic decisions taken during the year, developing winning business strategies with our associates whilst also launching Group-wide initiatives designed to capture the growing opportunity to generate value between Commercial Bank's assets in Qatar, Turkey, Oman and the UAE.

Andrew C Stevens
Group Chief Executive Officer

Commercial Bank Group Business Review

Financial Results

QAR million	2013	2012
Net interest income	2,188	1,866
Non-interest income	1,246	1,118
Net operating income	3,434	2,984
Operating expenses	(1,437)	(1,028)
Provisions for impairment losses	(714)	(202)
Share of results of associates	325	259
Income tax expense	(2)	0
Net profit for the year	**1,605**	**2,012**

Net Operating Income

- Net interest income
- Investment & dividend income
- Net fee income
- FX income
- Other income

Commercial Bank Group achieved a full year net operating income of QAR 3,434 million, an increase of 15.1%, compared with net operating income of QAR 2,984 million achieved in 2012. Commercial Bank's performance demonstrates the Bank's ability to sustain its progress in a challenging economic environment.

Net profit for the year was QAR 1,605 million in 2013, a decline of 20%, compared to the QAR 2,012 million achieved in 2012. Operating costs increased by 40% to QAR 1,437 million, due to staff costs and other operating expenses, part of which was related to the Alternatifbank A.S. (ABank) acquisition. Impairment provision on non-performing loans increased to QAR 604 million compared with QAR 140 million in 2012, due to higher loan loss provisioning.

Our loan book was 38% higher at QAR 66.9 billion and we continued to grow our deposit base, which increased by 53% for the full year.

In July 2013, we became the majority shareholder of a 74.24% stake in Alternatifbank (ABank) in Turkey, following the successful acquisition of 70.84% shares from the Anadolu Group and a further 3.40% through a public tender offer. The acquisition reinforced the Bank's strategy to diversify its revenue and develop growth opportunities across the region.

In December 2013, the Bank raised QAR 2 billion of Additional Tier 1 Capital Notes through a private placement at an initial discretionary and non-cumulative distribution rate. The notes are perpetual and have no fixed redemption date.

In 2014, we aim to build on the performance of 2013 by capturing lending growth in our domestic market, and internationally in conjunction with our Alliance banks. We will develop our core income across our businesses without compromising on risk management or asset quality, and will seek to widen the strength of our international presence. We will continue to strengthen our brand and reputation, ensuring highest quality service to our customers across a wide array of banking products. Commercial Bank is well positioned to maintain its role in the ongoing development of an increasingly diversified Qatar economy and the Bank will remain strategically positioned to deliver long-term value to our shareholders and our customers.

Financial Results

In 2013 the Bank delivered a net profit of QAR 1,605 million compared to QAR 2,012 million achieved in 2012. Loans and advances to customers increased by 38% compared to 2012. Lending has been supported by the increase in deposit base which has grown by 53% compared to 2012. The increase in deposits has come mainly from higher demand and savings balances. Net interest income has also increased when compared to the previous year and our net interest margin has continued to stabilise. Non-interest income was up by 11% when compared to the previous year to QAR 1,246 million. Our associates, United Arab Bank and National Bank of Oman, have delivered another strong performance with combined profitability up nearly 26% compared to 2012.

Net Operating Income

Net operating income increased by 15.1% to QAR 3,434 million for the year ended 31 December 2013, up from the QAR 2,984 million achieved in 2012. ABank delivered net operating income for the second half of 2013 of QAR 445 million following its consolidation into the Commercial Bank Group.

Net interest income was QAR 2,188 million for the year ended 31 December 2013, 17% higher than 2012, reflecting strong growth in lending activities particularly in the retail and infrastructure sectors. ABank contributed QAR 312 million, 14% of the total net interest income, and net interest margin was 2.7%.

Non-interest income was up 11.4% to QAR 1,246 million for 2013 compared with QAR 1,118 million in 2012, with ABank contributing QAR 133 million. The overall increase in non-interest income was due to higher fee and commission income, higher foreign exchange income combined with lower income from investments securities.

Operating Expenses
Total operating expenses were up 40% to QAR 1,437 million for 2013 compared with QAR 1,028 million in 2012. Excluding ABank, expenses increased by 11.2% for the year compared to 2012 as Commercial Bank continued to invest in its people and infrastructure. Reported total operating expenses include ABank's QAR 294 million of expenses following its consolidation and the one-off cost of QAR 49 million associated with the acquisition of ABank.

Provisions for Impairment Losses
The Bank's net provisions for impairment losses increased to QAR 714 million in 2013 compared with QAR 202 million in 2012, comprising provisions of QAR 604 million for loans and advances and QAR 110 million for financial investments.

As a result, the non-performing loan ratio increased from 1.09% in 2012 to 3.65% in 2013, which resulted in a coverage ratio of 63% in 2013.

The Bank sets aside a risk reserve against its lending as part of shareholders' equity. At 31 December 2013, the risk reserve was QAR 1,316 million, meeting the minimum level set by the Qatar Central Bank for the end of 2013.

Impairment provisions on the Bank's investment portfolio increased to QAR 110 million for the year ended 31 December 2013 compared with QAR 62 million during the same period in 2012, reflecting a general decline in the valuations of certain emerging market equities and currency fluctuation.

Total Assets and Funding
Commercial Bank delivered strong balance sheet growth of 41% in 2013 , with total assets at QAR 113 billion compared to QAR 80 billion in 2012, which includes QAR 19 billion from ABank. Balance sheet growth was driven by QAR 19 billion in lending to customers, higher balances held with Central Banks and other financial institutions which were up QAR 9 billion, combined with an increase of QAR 3.5 billion in financial investments.

Loans and advances to customers were up 38% to QAR 66.9 billion at 31 December 2013, compared with QAR 48.6 billion at the end of 2012. The growth in lending in 2013 was generated mainly through credit growth in the contracting, real estate and other sectors. ABank contributed QAR 11.6 billion to the total loans and advances.

Financial investments increased to QAR 14.7 billion at 31 December 2013, 32% higher than at the end of December 2012. ABank contributed QAR 3.2 billion of this amount. The increase since the end of 2012 reflects additional purchases of government and other debt securities.

Customers' deposits grew by 53% to QAR 63 billion at 31 December 2013, compared with QAR 41.4 billion in 2012, supporting Commercial Bank's growth in

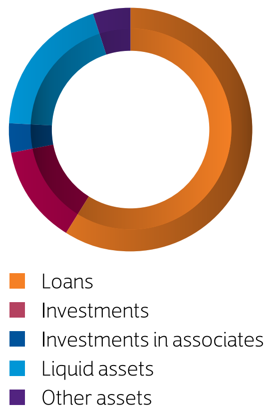
Operating Expenses

QAR million	2013	2012
Staff costs	685	499
General & admin expenses	609	407
Depreciation & Amortisation	143	122
Total operating expenses	**1,437**	**1,028**

Provisions for Impairment Losses

QAR million	2013	2012
Net provision for impairment on loans and advances	604	140
Impairment losses on financial investments	110	62
Total provision for impairment loss	**714**	**202**

Total Assets



Commercial Bank Group Business Review continued

Loans and Advances

- Government
- Government & semi-government agencies
- Industry
- Commercial
- Services
- Contracting
- Real Estate
- Consumption
- Other

Funding Mix

- Due to banks and financial institutions
- Customers' deposits
- Other borrowed funds
- Other liabilities
- Shareholders' funds

lending. ABank contributed QAR 8.1 billion to total customer deposits. The increase in deposits has come mainly from higher demand and savings balances. This underpins our strategy to ensure continued diversification of our funding base.

Capital
In December 2013, the Bank raised QAR 2 billion of Additional Tier 1 Capital Notes through a private placement under the Qatari Law, at an initial discretionary and non-cumulative distribution rate. The notes are perpetual and have no fixed redemption date. The Bank's capital position remains strong with a capital adequacy ratio of 14.1% as at 31 December 2013 compared with 17.0% at the end of 2012, which is above the Qatar Central Bank's required minimum level of 10%. The Tier 1 ratio reduced to 12.6% in 2013 from 15.4% in 2012 following the increase in risk weighted assets due to the Bank's growth and the acquisition of ABank during the year.

The Board of Directors is recommending, for approval at the Annual General Assembly, the distribution of a cash dividend of 20% of the share's nominal value to the shareholders for 2013, which equates to QAR 2 per share, and bonus shares of 20% (one bonus share for every five shares held).

Associates and Subsidiaries

Alternatifbank
Alternatifbank (ABank) delivered a net profit of QAR 9 million for the second half of 2013 with total assets of QAR 19.0 billion and lending of QAR 11.5 billion in challenging market conditions. 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, 10 of which were opened in 2013. Through its branch network, ABank has direct access to the regions in Turkey where 85% of the country's GDP is generated. Following the acquisition, four regional offices

Shareholders' Equity

- Share capital
- Legal reserve
- Other reserves
- Risk Reserve
- Proposed dividend
- Retained earnings

were established to oversee all branches in order to create a better organisational structure with higher efficiency to realise the bank's strategic targets.

ABank has two major subsidiaries, namely ALease and InvestA. ALease provides products and services in contract based leasing activities. InvestA provides security brokerage and corporate finance services to institutional and private clients. It also manages mutual funds and provides sectoral and company research services.

ABank started to introduce new products in 2013, in particular the ABank POS, Efes Marketing Card and ABank Bonus Business Card. In 2014 ABank will continue to work closely with its counterparts in Commercial Bank to implement best international practice and continue to realise synergies.

National Bank of Oman
National Bank of Oman (NBO) achieved strong results in 2013, with net profit after tax growing 1.8% to OMR 41.4 million, compared with OMR 40.7 million for the same period in 2012. Operating income grew by OMR 5.3 million to OMR 103.9 million, from OMR 98.6 million in 2012, mainly due to an increase in net interest income which was up 12% to OMR 75.0 million. During the year, yields on assets declined in line with market trends but NBO was able to make corresponding reductions in its deposit expenses.

During 2013, NBO grew its customer lending by 8% to OMR 2.07 billion and customers' deposits increased by 16% to OMR 2.18 billion compared with the end of 2012.

The outlook for Oman's economy remains positive. Notably, the increase in government spending, focused on infrastructure projects, is likely to boost economic growth. This spending may not only increase opportunities for NBO's retail business but also for its Corporate and Small Business units. NBO continuously evaluates its strategy in order to allocate its resources to the various businesses efficiently, ensuring sustainable returns for its shareholders.

United Arab Bank
United Arab Bank (UAB) delivered a record net profit of AED 552 million for the year ended 31 December 2013 which represents an increase of 35% over the 2012 results of AED 410 million. The total operating income for the year ended 31 December 2013 increased by 36% to AED 1,039 million, from AED 765 million for 2012. UAB's loans and advances grew 40% to AED 15.3 billion as at 31 December 2013, with customers' deposits at AED 15 billion.

With such strong performance in 2013, the bank is well placed to confidently move into 2014, where it anticipates continued business growth across all segments whilst continuing to introduce and implement best practice risk management techniques.

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 counterparties. In addition to its electronic trading platform, CBIS also provides access to three fully equipped brokerage lounges. In 2013, CBIS delivered a net profit of QAR 1.4 Million and increased its market share of brokerage services to 7.54%.

Asteco Qatar W.L.L.
Asteco Qatar is a Qatari incorporated joint venture company between Commercial Bank, United Development Company, Qatar Insurance Company and Asteco Property Management in the UAE. The company provides real estate brokerage and sales, facilities and management services, commercial and residential lettings, property valuations and property consultancy services.

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.

Associates

QAR million	2013	2012
National Bank of Oman	131	123
United Arab Bank	191	134
Asteco Qatar W.L.L.	0	(0)
Massoun Insurance Services LLC	3	2
Share of results of associates	**325**	**259**

Business Unit Review

QAR million	2013	2012
Wholesale Banking	2,020	2,173
Retail Banking	915	770
Subsidiaries	445	9
Other	54	32
Net Operating Income	**3,434**	**2,984**

Building strong regional presence

Commercial Bank's Alliance, across Oman, the UAE and Turkey, seeks to export Qatar 's competitive strengths to the world and offer growth opportunities to our customers and local talent, while building new networks of opportunity for business and development. We are focusing on a clear strategy to deliver the best service in all four markets we operate in across the wholesale, SME and retail sectors.

Commercial Bank welcomed Alternatifbank (ABank) to the growing Alliance of banks during a celebration in Istanbul, Turkey, in September 2013. ABank was established in 1991 and is now the country's fifteenth biggest lender by assets with 73 branches in 27 cities across Turkey.

A Growing Alliance of Banks

We recognise the need to diversify our revenue and growth opportunity in the region, and develop profitable business strategies and in 2013 Commercial Bank formed an 'Alliance' among its partner banks that will allow a mutually beneficial exchange of product knowledge and services, as well as human capital, which in return, will increase shareholder value and achieve profitability for the Alliance.

Commercial Bank Executive Management host the Alternatifbank delegation at the Bank's headquarters in Doha.

Alternatifbank

Alternatifbank (ABank) is Commercial Bank's Turkish subsidiary and the newest member of the Alliance. In line with the successful international expansion strategy pursued to date, Commercial Bank's aim was to enter the banking market in Turkey through a profitable, mid-sized bank with a strong growth profile in its home market.

In July 2013, we acquired a 70.84% stake of ABank, subsequently increased to 74.24% following a mandatory tender offer. This acquisition represented the first investment by a Qatari bank in Turkey – a country that is both strategically aligned and culturally relevant to Qatar and to the region, further strengthening bilateral ties between the two countries, as well as Commercial Bank's first investment in Turkey, and our first acquisition of a majority stake in another bank, providing a spring board to look across new emerging markets.

ABank was established in 1991 and went public in 1995. ABank operates through a network of 73 branches, covering a geographic area where more than 85% of Turkish GDP is generated, with a well-established focus on SMEs. It increased its profitability by 141% in 2012, substantially outperforming the Turkish banking sector (19%).

National Bank of Oman

National Bank of Oman (NBO) is an associate of Commercial Bank, and was the Bank's first foreign investment when it acquired a minority stake (34.89%) in 2005.

NBO was founded in 1973 and is today one of the largest banks in Oman, serving its customers in Oman through 64 Branches and 173 ATMs and CCDMs, as well as one branch in Egypt and 1 in UAE.

NBO's Wholesale Banking Group delivers a wide range of services including term loans, working capital facilities, import and export financing, asset and project financing plus comprehensive cash management services.

Its Investment Banking Division activities include discretionary portfolio management services; brokerage operations; asset management; distribution of mutual funds; lead management of public equity and bond issues, plus domestic and international investment advisory services. The bank also offers cutting edge treasury solutions to meet the business demands of valued institutional, corporate and private banking clients.

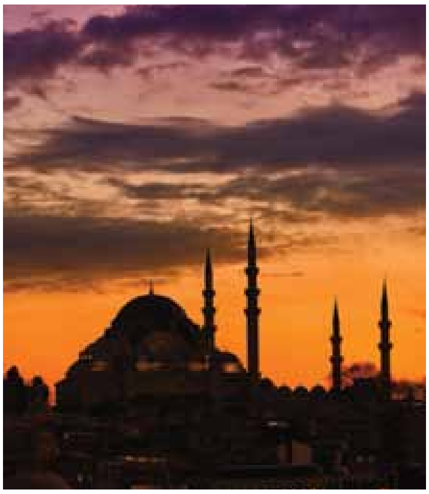
United Arab Bank

United Arab Bank (UAB) is an associate of Commercial Bank and became the second member of the Alliance when Commercial Bank acquired a 40% interest in 2007 – the first between banks from Qatar and the UAE.

UAB was incorporated in 1975 as a joint venture between diverse UAE investors and the French bank, Société Générale. Operating through 25 branches throughout the UAE, the bank offers tailor-made financial services in both Corporate and Retail banking, and has predominantly established itself as a leading solutions provider for a growing commercial and industrial base across the seven Emirates.

Through the provision of a comprehensive range of Corporate Banking, Retail Banking, Trade Finance, SME banking and Treasury services, UAB is the Bank of choice among major corporate client segments in the UAE.

With its Sadara premium banking service and Islamic Banking services, UAB has been able to further grow its retail customer base.




البنك التجاري
COMMERCIAL
BANK
ميزة
MEEZA

Supporting growing business

Through the Bank's dedicated SME unit, we aim to increase knowledge and strengthen skills of entrepreneurs, and support the National Vision's goal of achieving economic diversification and businesses in Qatar.

Commercial Bank today provides services to thousands of SME customers in Qatar. Our exclusive partnership with MEEZA – a Qatar Foundation joint venture providing managed IT services and solutions – gives us the ability to enhance the competencies of SMEs by leveraging technology and developing skills to create a world-class economic infrastructure.

Senior executives representing both parties attended a signing ceremony in October 2013 marking the renewal of our exclusive partnership with MEEZA to provide secure, cloud-based technology solutions to the Bank's enterprise and corporate customers.

“Commercial Bank's successful business performance in 2013 has only been possible through the dedication and hard work of our valued employees and the leadership team.”

Management Review of Operations

Despite a more challenging operating environment in 2013, Qatar's economy continued to perform in line with market expectations.

The banking sector remained highly competitive and Commercial Bank has worked hard to maintain its market share in a lower margin environment in which pricing pressure has remained. We have grown the lending book and diversified our revenue and funding base.

Qatar's economy is expected to continue growing in 2014, albeit at a slower rate than in 2013, as the economy diversifies away from its traditional hydro-carbon base as envisaged under the National Vision for Qatar. The continued government spending on national infrastructure essential to the development of the economy and the increasing influx of human capital to Qatar to power the economy will create continued demand for Commercial Bank's products and services as it fulfils its role in the ongoing development of the Qatar economy.

Wholesale Banking

In Qatar, Commercial Bank's Wholesale Banking business unit covers six major business lines: Domestic Corporate Banking, Government and Public Sector, International Banking, Multinational Corporates, Financial Institutions and Transaction Banking. Corporate customers represent approximately 75% of the total loan book of the Bank, and 81% of the total exposure is within Qatar. The Wholesale Banking business generates a large portion of the Bank's customer deposits – both domestic and non-resident, and also assists in raising medium-term loan funding from banks and financial institutions across the world.

Through Wholesale Banking, Commercial Bank offers a comprehensive range of financial services to corporate businesses in Qatar, as well as international companies investing, trading or implementing projects in Qatar. These services include commercial banking, treasury, cash management, trade, transaction banking, corporate finance and advisory services. Wholesale Banking works closely with the Retail and Private Banking units, through a newly created 'Banking at Work' department reporting to Retail Banking. A key strategic focus is to enhance the Total Relationship Value for each customer within all business portfolios.

Business Performance

Wholesale Banking's business continued to grow strongly during 2013. Loans and advances to customers increased by 10% to QAR 40.4 billion, and Customer Deposits increased by 40% to QAR 39.3 billion. Loan growth was mainly in Services, Contracting, Commercial and Real Estate within the private sector. Interest income declined to QAR 1.6 billion, primarily reflecting competitive pricing pressures which have seen a reduction in yields on corporate lending. Fee income grew by 5% to QAR 344 million in 2013. Overall asset quality remains satisfactory despite an increase in Wholesale non-performing loans and related provisions being taken against loans to a Qatari real estate project and an Omani cement factory project. The domestic loan is restructured and secured by substantial tenanted and income generating properties whose market valuations are also improving, due to continued demand for good quality residential premises to meet the growing population of expatriates entering Qatar each year.

In 2013, Commercial Bank was associated with a number of successful large financings in the syndicated and club loan markets, including the following:

- Mandated Lead Arranger and Bookrunner for the USD 400 million short-term oil import Financing Facility for Bangladesh Petroleum Corporation, guaranteed by Bangladesh Bank;
- USD 100 million Term Loan Facility to a leading telecommunication company in Turkey, Turk Telekomunikasyon, for its general corporate purposes;
- Arranger role in the USD 300 million Term Loan Facility for NMC Healthcare PLC, a leading hospital chain operator in the UAE to refinance its existing facilities and general corporate purposes;
- Coordinator Initial Mandated Lead Arranger and Bookrunner in the Alternatifbank USD 162.5 million and Euro 137 million Syndicated Dual Tranche and Dual Currency Term Loan Facility;
- Contract Finance Facilities totalling QAR 1.2 billion for the Doha Metro Project comprising of the Phase 1A Mushaireb Station and Phase 1 Tunnel package; and
- Contract Finance Facilities totalling QAR 688 million for Ashghal West Corridor Package and Al Kheesa Road & Infrastructure Project, Qatar.

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, lower pricing, strong demand, large oversubscription, and participation by 21 leading banks across the globe, demonstrates the strong credit standing of Commercial Bank in global debt markets and the strength of its relationships.

Domestic Banking

Domestic Banking provides a comprehensive range of cross-product banking solutions to local corporates based in Qatar. Domestic corporate activity in 2013 remained subdued, with some signs of recovery in the large project space, primarily driven by the light rail project and local roads and drainage works from Ashghal.

A broad-based uplift in secondary activities in sub-contractors, traders and retailers will be seen, as the infrastructure build-out in Qatar progresses. In these market conditions, Domestic Banking activities continued to focus on deepening existing relationships, understanding individual customer challenges and seeking new opportunities where possible.

Management Review of Operations continued

Domestic loan business growth was restrained at 3%, but the non-funded book grew by 14%. The market saw a number of re-financings, as the competitive environment allowed reduced pricing opportunities for corporate customers. Deal flow of large structured transactions in the private sector space was limited in 2013.

Along with ongoing margin compression, Domestic Banking will remain focused on strengthening existing corporate relationships and seeking new relationships in our chosen market space of general trade, services and contracting. Domestic Banking activities are guided by the theme of cross-selling all Bank products into corporates to capture a longer portion of the customer value chain.

Commercial Bank's specialist product expertise in treasury, trade finance and retail, allows the Domestic Banking team to provide customer-focused solutions relevant in various financial systems, at different levels of maturity, and at different stages of development.

Government, Public Sector and International Banking

As a major Qatari bank, Commercial Bank continued to strengthen its relationships with the Qatari Government and public sector institutions, and grow its share of trade finance business during the year. Outside Qatar, Commercial Bank continued to strengthen its business and presence in target markets (international financial centres and growth regions), aligning its business growth to the Bank's cross-border strategy, preferred sectors, client needs and product platforms. The Bank has also implemented several new 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 – Alternatifbank in Turkey, United Arab Bank in UAE and National Bank of Oman in Oman. The Korea Business Desk set up in 2012 under a strategic collaboration agreement with Hana Bank, Korea, continues to operate successfully, providing a wide range of conventional and innovative corporate and investment services to Korean companies operating in the GCC region, and to Qatari companies looking to do business in Korea.

Government, Public Sector and International Banking are viewed as strategically important business units for the Bank. In 2013, the Government and Public Sector loan book reduced by 9% due to the lower level of borrowings by government units and public sector entities, together with finer pricing levels seen in the market. This business unit however, recorded strong growth of 85% in customer deposits and Commercial Bank continues to be a major trade bank for many Qatari public sector companies.

International Banking activities included banking relationships and business dealings with multinational companies operating in Qatar, global financial Institutions and cross-border international corporate clients. The business unit, together with the Bank's Treasury, played an important role in diversifying the Bank's funding sources in 2013, arranging bilateral and syndicated loans for the Bank, as well as expanding treasury and corporate deposit relationships with multinational companies, regional sovereign wealth funds, asset managers, and other non-banking financial institutions.

The International Banking, Multinational Corporates and Financial Institutions business units recorded strong growth of 84% in loans and advances in 2013, and the non-funded book also grew by 12%. Trade Finance was a large contributor. Customer Deposits declined by 6%, as higher cost non-resident corporate deposits were reduced in 2013, in view of overall strong deposit growth in domestic and public sector franchises.

Commercial Bank's cross-border business strategy remains conservative and its primary focus is on business with banks and corporates in the GCC region. Following the acquisition of Alternatifbank, business focus has been increased towards trade finance business in countries with large and growing trade and investment links with Qatar, the GCC, and Turkey. 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 their shared business objectives.

Commercial Bank has a strong presence in Qatar's infrastructure and contract finance sector, and is a major issuer of guarantees for large projects in Qatar. Qatar's successful bid to host the 2022 Football World Cup has fast-tracked more than USD 160 billion of infrastructure projects in sports, transportation, tourism, airlines, energy, utilities and other sectors, for award over the next five years. Concurrent high Government spending on education, health, infrastructure and real estate sectors continues to stimulate the Qatar economy, and will boost private sector and contract finance activity. With a large client list of foreign companies operating in Qatar, and specialist sector expertise, the Multinational Companies business unit is well positioned to benefit from the expected surge in contract finance. The unit works closely with various embassies and trade promotion agencies in Qatar, and has made presentations to visiting business delegations from various countries.

The Financial Institutions Group has expanded its global network of correspondent bank relationships and continued to grow its trade finance book. The International Funds Transfer division maintained its record of superior service quality and consistently high performance. Once again, Commercial Bank was among the region's select small number of institutions to receive the Commerzbank 'STP Award 2012' for excellence in payments and the 'Citibank 2013 Performance Excellence Awards' for high efficiency. The Trade Finance and Transaction Banking unit continued to upgrade its product and service offerings.

Commercial Bank continued to actively support initiatives that are relevant to the Qatar and GCC banking sector, by closely interacting with key global trade and

Commercial Bank delegation attended the 2013 Annual Membership Meetings of the Institute of International Finance (IIF) and the International Monetary Fund (IMF) in Washington DC, USA. Considered to be the world's most important financial and economic event, the IIF and IMF Meetings are regularly attended by key figures from the world of finance, politics and economics, including the world's most prominent finance ministers and central bankers.

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.

In 2013, Commercial Bank sponsored or participated in several major banking industry events and conferences. These included:

- The Annual Meetings of the IMF, IIF and Asian Development Bank;
- Sponsor of 'Business and Investment in Qatar Forum' held in Berlin, Germany; hosted Qatari Businessmen Association;
- Sponsor of the 8th World Chambers Congress held in Doha, Qatar; hosted by the Qatar Chamber of Commerce;
- Lead Sponsor of The Euromoney Qatar Conference held in Doha, Qatar; and
- SIBOS – Dubai, a major industry event for banks and financial institutions across the world, held for the first time in the GCC region. Commercial Bank was joined at SIBOS – Dubai by its Alliance bank partners.

Qatar has a very well-planned strategy for balanced and sustainable growth, as set out in the Qatar National Vision 2030. The National Development Strategy for Qatar 2011-2016 is now in the first phase of implementation. 2022 FIFA World Cup-related projects are a key part of this plan, and the nationwide modern infrastructure and transportation systems planned will serve Qatar's growing population and the needs of future generations. The 2030 Vision framework has many objectives, including modernisation, responsible use of resources, competitive positioning in the international economy, research, and high quality public services with special emphasis on healthcare and education. Qatar's leadership is wholly committed to the execution of this Vision, and to making these large investments for long-term objectives beyond the 2022 FIFA World Cup.

The economic outlook for all Qatari business sectors and the banking industry continues to be robust for the near and medium-term, and the private sector is poised for rapid growth and international diversification. Trade and investment flows with major economic blocs are increasing. Commercial Bank is very well positioned for diversification and growth within all of our Wholesale Banking business lines both in Qatar and abroad, supporting Qatar's continued growth into a leading regional commercial and financial centre. Our international strategy of building a pan-GCC and regional banking group has progressed further with the acquisition of a controlling interest in Alternatifbank in Turkey this year, and presents great potential to diversify our business lines and revenues. In the GCC region, we will continue to work closely with our associate banks in the UAE (United Arab Bank) and Oman (National Bank of Oman), broadening client relationships and market shares to further grow Commercial Bank's Wholesale Banking franchises.

Retail Banking

Commercial Bank's Retail Banking business in Qatar offers a comprehensive suite of products to its customers, including deposits and loans, credit cards, insurance and wealth management solutions. Creating a positive customer experience is at the cornerstone of Retail Banking's approach, with products and services tailored to meet or exceed customers' needs.

Customer behaviour is changing as customers continue to migrate away from traditional retail banking and use online and mobile applications to handle more of their basic banking requirements. In 2013 Retail Banking continued to build its customer base by enhancing the core products offered by the Bank, and introducing new products and services that fit the requirements of its loyal customers.

Management Review of Operations continued

Business Performance
Retail Banking delivered a strong core business performance in 2013, demonstrating outstanding growth. Lending to customers grew by 16% to QAR 14.2 billion. Deposits grew by 12% (or QAR 1.6 billion), to a total of QAR 15.9 billion. Net operating income increased by approximately QAR 227 million with interest income 24% higher than 2012, despite increased competition in the market and regulatory restrictions on banking fees and interest rates.

In line with strategic planning, Retail Banking experienced a 43% growth of new salaried customers in 2013 through a focused acquisition strategy. The acquisition strategy also resulted in over 27,000 new credit cards being issued during the year, a significant 49% increase.

The continued increase in revenues reflects Retail Banking's focus on cost and margin hygiene by effectively managing margins and launching intelligent and targeted products and sales campaigns. This was evident with net interest margins consistently maintained throughout 2013.

Manchester United legend, Denis Irwin, signed t-shirts for customers at Commercial Bank's Pearl Branch during his visit to Qatar in December 2013. The Bank signed an exclusive five-year partnership with Manchester United, the world's most famous sporting brand, to offer an exclusive range of financial services products to its customers.

Strategic Initiatives in 2013
Retail Banking continued to develop new products and services, releasing a wide range of asset and liability products during the year. Retail asset growth was driven by an increase in personal loans, secured mortgage lending, vehicle finance and a well executed credit card strategy. This asset growth was also attributed to the 18% increase in the number of retail customers in 2013 and focus on customer profitability and salary acquisition. Retail Banking also carefully examined the market and understood customer's varying needs by introducing the 'Instant Salary Advance' for all salaried customers, enabling an instant salary advance when customers are in urgent need of funds.

In line with Commercial Bank's ongoing strategy of balancing its funding profile, Retail Banking introduced deposit products offering attractive medium and longer-term interest rates. New products included the 'Regular Saver Account', encouraging customers to make deposits on a regular basis to earn a preferential rate and the 'Bonus Saver Account' enabling customers to lock in a higher preferential interest rate until January 2014 in a falling interest rate environment.

Cards
Aligned with its premium brand, Retail Banking entered into a five-year exclusive partnership with Manchester United Football Club, offering customers a series of co-branded Debit and Credit Cards and a 10% discount at the Manchester United online store.

Customers who acquire a Manchester United Credit Card also have the chance to win an all expenses paid trip to watch Manchester United live at Old Trafford, or a place for their child at a Manchester United-run soccer school which will be run in Doha in the early part of 2014.

The Bank enhanced its best-in-class cards loyalty programme with the launch of an exciting new initiative in 2013 – FlyMiles. FlyMiles is a unique and 'first to market' loyalty programme which allows customers to redeem points to fly to any worldwide destination, on any date, with any airline. Customers now have access to over 300 airlines and 200,000 hotels in multiple destinations across Europe, Asia, Africa, the Americas and beyond. The FlyMiles programme is combined with the reinvigorated Accolades rewards programme, allowing customers to choose their preferential form of redemption of points earned from their credit card spend. The Accolades programme allows customers to redeem vouchers with more than 100 valuable partners and brands.

Commercial Bank also entered into a strategic partnership with IKEA, the world's largest furniture retailer, which opened its first store in Qatar in 2013. The Bank, as IKEA's financial services partner, offers customers an opportunity to 'Shop now…Pay later' at the store, an innovative feature that brings

Commercial Bank credit card holders the money-saving convenience of an interest-free instalment plan.

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, including a Ramadan campaign, offered customers special discounted rates for vehicle loans, insurance coverage, and unique car packaging benefits.

Life in Qatar
Anticipating future population growth from an influx of professional expatriates, Retail Banking launched a new proposition tailored specifically for people moving to Qatar. 'Life in Qatar' provides ease and convenience for customers during the difficult period between deciding to move to Qatar and finally settling in the country. A new dedicated website, www.lifeinqatar.com engages professional expatriates before arriving to Qatar by providing them with basic information addressing many of their key needs including banking facilities, education, housing, healthcare and other information essential for living in Qatar.

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 proposition was enhanced with marketing initiatives and a number of tailored asset and liability products. This involved creating dedicated Sadara suites with experienced relationship managers at a number of key locations across Qatar.

Commercial Bank's newly created 'Chair of Banking' appointed at Qatar University will lead studies in the field of banking and finance. This ultimately will help provide the Qatari banking industry with suitably qualified graduates to join the workforce.

Internet and Mobile Banking
Retail Banking continues to make progress in line with its strategic agenda, transforming the way it does business by streamlining operational processes and seamlessly integrating electronic delivery channels.

Retail Banking launched its new and improved Internet Banking platform with new functionality and expansion of services. Customers can now extend their online banking usage to activating, blocking and requesting replacement Credit and Debit Cards, viewing e-statements directly within the platform, making third party payments to a number of merchants and seamless local and international transfers.

Furthermore, in 2013 the Bank launched a new Mobile Banking application compatible with iPhone, iPad, Android and all smartphones. The improved digital banking experience and its cutting edge design allowed the app to become the number one downloaded financial app in Qatar in 2013. The app also connects directly to the Bank's improved Internet Banking platform, allowing customers to use a single sign-on and replicate the online banking experience on their portable devices.

Operational Processes
Commercial Bank launched a new 'Auto-Decisioning Credit' system for asset products, providing Retail Banking with competitive advantages including faster turnaround times. The system also helps maintain consistency in decision-making and overall portfolio management.

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

Management Review of Operations continued

Branch Networks
As part of its strategy to expand distribution, the Bank opened branches at the strategic locations of the St. Regis Hotel, the Al Gassar Resort and Dar Al Salam Mall, increasing the network to a total of 33 branches. This expansion strategy aligns the Bank's branch network with Qatar's geographical development, supporting the growing population needs and ensuring the highest standards of service are always within convenient reach for customers. As branches are a key touchpoint for customers, Commercial Bank has taken a series of steps to rationalise its branch network. Rationalisation included the closure of the Souq branch and relocation of the City Centre Retail and Corporate branch to a more spacious, visible and easily accessible location at the ground floor entrance of City Centre mall.

The branch network is supplemented by 154 ATMs that are strategically located to ensure optimum usage of the network by customers. In line with the branch rationalisation strategy, ATMs were simultaneously reorganised with the removal of non-profitable ATMs and the addition of new ATMs at higher segment footfall locations, notably IKEA and Centrepoint Barwa Village. Moreover, to ensure all customers find it easy to do business with the Bank, a number of ATMs have been installed for people with special needs, such as visual impairments or physical disabilities. These ATMs offer voice-enabled services and are designed to be accessible for wheelchair users.

Enterprise Banking

Enterprise Banking provides a comprehensive range of products and value-added services to support small and medium enterprises (SMEs), thereby nurturing Qatar's entrepreneurial business community and encouraging growth in this sector. Our focus on this core sector demonstrates the Bank's commitment to the Qatar Government's National Vision 2030, which identifies SMEs as the key constituent of the country's economic diversification and future. 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.

The Bank provides dedicated relationship managers for its Enterprise customers in five branch locations at Umm Lekhba, Al Rayyan, D Ring, Bin Omran and Hamad Al Kabeer. The highly specialised team 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;
- Access to Advisory and Mentoring services.

Customers can also benefit from the 24 hour customer contact centres and the Bank's corporate branch network.

Enterprise Business Loans

During the year, Enterprise Banking rolled out an attractive loan product designed to provide easy and quick access to finance for Commercial Bank Enterprise customers. The Enterprise Business Loan (EBL) provides financing with faster turnaround times and efficient delivery while taking into consideration SMEs' risk profile and factors such as the lack of availability of detailed financial information.

Deposit Direct Card
Enterprise Banking continued to develop new products for Enterprise customers during the year. It launched a Deposit Direct Card for corporate customers (Enterprise and Wholesale) specifically designed for customer convenience when depositing their daily cash collections. The Deposit Direct

Customers attended a workshop titled 'Project Cash Flow Forecasting for Construction Projects' in May 2013. Commercial Bank's dedicated unit for Small and Medium Enterprises (SMEs) regularly hosts customer workshops to support the growth of SMEs in Qatar.

Card eases the practice of depositing large amounts of cash on a daily basis at branches thereby improving customers' banking experience and branch operational efficiency. Moreover, with the Bank's advanced technology, customers can also track and reconcile their accounts online using their Corporate Internet Banking access.

Bonus Call Account
Enterprise Banking is a key source of low cost funding for Commercial Bank. In line with the Bank's strategy to balance its funding profile, Enterprise Banking launched the Enterprise Bonus Call Account offering Enterprise customers the opportunity to earn attractive and competitive returns on their liquid funds while retaining the flexibility of withdrawals and deposits.

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, webhosting and SharePoint services, as well as HR and payroll solutions enabling Enterprise customers to focus on their business growth. Since launch, over 450 Enterprise customers 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
The Bank places significant importance on supporting SMEs by providing education and training to help them grow. In 2013, the Bank once again collaborated with College of North Atlantic, Qatar (CNA-Q) to host a series of customer workshops for its Enterprise Banking customers, including topics on 'Low Cost, Effective Marketing Research' and 'Project Cash Flow Forecasting for Construction Projects'. These workshops were conducted by industry experts from CNA-Q's School of Business Studies and were attended by numerous SME business accountants, analysts, owners and key decision-makers.

Enterprise Banking's workshops enable Enterprise customers to leverage on the tools and knowledge provided to expand 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 liquidity requirements, as well as accessing the debt markets to lock in funding via debt issuance and 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 2013 and continued to focus on balance sheet optimisation and liquidity management, as well as maintaining key liquidity ratios well above the minimum required by the Qatar Central Bank.

The Treasury Sales unit provides a full suite of products for its 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 2013, Commercial Bank was directly responsible for distributing 73% of the total value of QAR Bonds and Bills traded on the Qatar Exchange.

Trading and Fixed Income activity has continued to provide strong revenue generation in 2013, as well as a liquid asset portfolio for the bank. In 2014 the goal will be to maintain momentum in a rising interest rate environment since the emphasis is now more on shorter duration instruments and asset swaps as a means to mitigate risks.

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 employee 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 2013, the Bank further strengthened its risk management processes by implementing a comprehensive stress testing framework, a credit scoring system for the retail portfolio, further upgrading the internal credit risk rating system, enhancing bank-wide portfolio monitoring and reporting capabilities, finalising its risk-based pricing model and initiating implementation of the Internal Capital Adequacy Assessment Process (ICAAP). In 2014, Commercial Bank will continue to employ clear risk management objectives and a well-established strategy to deliver them 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.

Management Review of Operations continued

The Risk Management department provides expertise and oversight for business risk-taking activities. Risk Management 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 the credit exposures originated by the business as part of its responsibility for credit rating and decision-making.

Commercial Bank has significant actual or potential exposures to four principal categories of risk: Credit, Operational, Market and Funding.

Credit Risk

The Board Risk Committee operates under a Charter by which it oversees Commercial Bank's credit risk management and portfolio standards. These are designed to achieve portfolio outcomes that are consistent with the Bank's risk appetite and risk/return expectations. The Committee meets at least once every quarter, and more often if required throughout the year.

Commercial Bank has clearly defined credit policies for the approval and management of credit risk. Formal credit standards apply to all credit risks, with specific portfolio standards applying to all major lending areas. These incorporate income/repayment capacity, 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 Operational Risk Management department (ORM) 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 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.

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

Liquidity and Funding Management

Commercial Bank's liquidity and funding policies provide that:

- Balance Sheet assets that cannot be liquidated quickly are funded with deposits or term borrowings that meet minimum maturity requirements with appropriate liquidity buffers;
- Short and long-term wholesale funding limits are established, reviewed regularly and monitored to ensure that they are met;
- 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.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss of reputation that Commercial Bank may suffer as a result of its failure to comply with the requirements of relevant laws, regulatory bodies, industry standards and codes.

Commercial Bank's Compliance Risk Management Unit incorporates a Compliance Review programme to monitor compliance with policies, complemented through assessment of compliance risks, implementation of controls, monitoring and testing of framework effectiveness and the escalation, remediation and reporting of compliance incidents and control weaknesses.

Commercial Bank complies with the provisions of the applicable Basel II Framework, as advised by the Qatar Central Bank. The Bank is also working closely with the Qatar Central Bank, alongside other banks, on the consultation process for implementing Basel III in Qatar.

At a macro-level, Commercial Bank's Board is involved in risk decisions via two committees:

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.
2. The Board Executive Committee (BEC) is responsible for evaluating and granting credit facilities within authorised limits as per QCB and Board guidelines. The

The Bank has been title sponsor of the Commercial Bank Qatar Masters golf tournament since 2006. This commitment reflects the Bank's promotion of excellence in sports and its keen interest in enhancing Qatar's sporting reputation on the international stage.

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 (Risk, Asset and Liability and Special Assets Management) convene on a minimum quarterly basis. The Board of Directors or their sub-committees are regularly updated on major risks the Bank faces, including but not limited to credit risk.

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 over 90 dedicated staff, underlining Commercial Bank's commitment to a strong risk governance and management framework. In 2014, 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.

Corporate Social Responsibility

Commercial Bank regards Corporate Social Responsibility (CSR) as integral to its business and is committed to supporting Qatar's national development in line with the Qatar National Vision 2030.

CSR is firmly part of the Bank's ethos and through its structured CSR programme, the Bank provides financial, practical, humanitarian and skills-based support to the Qatari community. Commercial Bank's Marketing Department is responsible for formulating, implementing and promoting the Bank's comprehensive range of CSR programmes.

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. 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, culture, humanitarian projects and health.

By focusing on the Qatari community and developing Qatar's 'human capital', the Bank's CSR programme is firmly in line with the human and social development pillars of the Qatar National Vision 2030. Especially important is investment in our employees and the youth of Qatar through various educational, training and personal development programmes.

During 2013, Commercial Bank's Marketing Department successfully implemented a large number of CSR initiatives supporting the development of the Qatari community both outside and within the Bank.

Sports

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

Management Review of Operations continued

Commercial Bank won the football match against Qatar Rail during one of the Bank's National Sports Day activities in 2013. The Bank is a proud and active supporter of National events and believes that sport plays an integral role in today's society, promoting active and healthy lifestyles.

Commercial Bank continues to make significant contributions to notable charities that benefit causes both inside and outside of Qatar. The Bank made a donation to the Al Noor Institute for the Blind towards the set-up of an IT classroom to encourage continuous education, creation of innovative ideas and independency.

Continued title sponsorship of the Commercial Bank Qatar Masters and the Grand Prix of Qatar Moto GP in 2013 reflects the Bank's promotion of excellence in sports and its keen interest in enhancing Qatar's sporting reputation on the international stage.

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 2013, Bank employees and their families participated in a variety of competitive and non-competitive events including the Qatar Central Bank Marathon on Doha's Corniche, football and cricket matches, Aspire Zone Foundation's 'Journey to Remember' event and various sporting activities held at Katara Cultural Village.

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.

Humanitarian activities

Commercial Bank is committed to developing all of Qatari society, including the disadvantaged and less fortunate. In 2013, the Bank adopted the Al Noor Institute for the Blind as a charitable cause for a second year and raised funds towards the establishment of an IT classroom. Commercial Bank's donation helped to provide the Institute's students with tools to access educational websites to foster continuous learning, expansion of knowledge and a degree of independence to help improve their quality of life.

Commercial Bank chose to celebrate Qatar National Day by giving back to the Qatari community. Volunteers distributed gifts at Dhreima Qatar Orphan Foundation, the Shafallah Centre for children with special needs and six independent schools. Gifts were also distributed at the Home for the Elderly and National Day badges and scarves were given to children and customers at Commercial Bank branches across Doha and at Katara Cultural Village.

Continuing with humanitarian activities, Commercial Bank became 'Leadership Sponsor' of Reach Out to Asia's (ROTA's) 'Wheels 'n' Heels' fun day in 2013. ROTA is a non-profit organisation launched by Her Highness Sheikha Al Mayassa bint Hamad bin Khalifa Al Thani, under the auspices of Qatar Foundation.

ROTA is committed to achieving basic, quality education for both primary and secondary school children throughout Asia and the Middle East, helping local communities overcome major obstacles to education that can ultimately lead to a better quality of life. With ROTA's values of advancing education and developing local communities close to Commercial Bank's core values, the Bank was proud to support the 'Wheels 'n' Heels' fundraising initiative.

Health

Commercial Bank actively promotes initiatives that contribute positively to the health and well being of the Qatari community. In addition to prominent participation in National Sports Day, the Bank was principal sponsor of 'Step into Health', a major initiative of the Aspire Zone Foundation. 'Step into Health' aims to improve the health of the nation by encouraging all members of society to meet the recommended minimum level of daily physical activity. A first for Qatar and the wider region, the initiative encourages people to walk at least 10,000 steps each day and to achieve a healthier all-round lifestyle. Commercial Bank donated 400 pedometers to help participants monitor their progress towards achieving this goal.

Commercial Bank won the prestigious 'HR Initiative of the Year' award in 2013 for 'CbConnect' – the Bank's proprietary HR transformation programme. The 'HR initiative of the Year' award recognises organisations that have completed a successful people-focused change programme and HR strategy.

Employee Development

Commercial Bank is committed to developing local talent in Qatar, building the nation's professional skills and developing human capital. As a part of this commitment, the Bank is dedicated to creating a robust talent and knowledge pool within Qatar's youth community, who will proudly represent their country at a national and international level in the future.

In April 2013, Commercial Bank supported the annual Qatar Career Fair as a Pearl Sponsor. The Career Fair is a knowledge-based community forum with significant investment in developing local talent. The Bank's successful participation at the Fair resulted in a large number of job applications across a variety of positions at the Bank.

In partnership with the College of North Atlantic – Qatar (CNA-Q), Commercial Bank offers a Banking Associate Programme, providing school graduates who are Qatari nationals with fundamental banking and work-based skills to develop further into senior bankers of the future. Several students participated in this highly successful programme before being appointed into roles within the Bank's branch network.

Investing in the future of our employees

At Commercial Bank, we believe that rewarding careers empower Qatari youth to take charge of their own future, enabling them to make informed choices and decisions about their prospects in the Qatari workforce. During the year, the Bank hosted a recruitment week where the Bank's management interviewed and assessed candidates identified during the Qatar Career Fair 2013 as demonstrating high potential.

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 expertise and professional services. We look forward to welcoming our next intake of future banking leaders into Commercial Bank,

Management Review of Operations continued

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 launched several proprietary educational and professional career advancement programmes in 2013, designed for the Bank's current talented employees and promising applicants. These include the Accelerated Leadership Programme; Future Leaders Programme; Graduate Development Programme and Bachelors Programme. The 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.

Training programmes are run at the Commercial Bank Academy, inaugurated by the Bank's Managing Director in September 2012. This purpose-designed learning centre offers training facilities of the highest standard, in line with the Bank's ongoing partnerships with world-class learning providers.

Our Accelerated Leadership and Future Leaders programmes are run in conjunction with some of the world's leading universities and business schools including Cambridge University's Judge Business School, London Business School, HEC Paris, the Centre for Creative Leadership (Brussels) and INSEAD (Paris). Through these programmes, the Bank has successfully accelerated the career progression of our most talented potential leaders. Significant investment in these programmes by Commercial Bank has already proven to be successful, evidenced by the recent promotions of a number of talented Qatari staff into senior leadership roles within the Bank.

In 2013, the Accelerated Leadership Programme (ALP) provided ongoing coaching, progression and executive education for several participants.

The Bank's Future Leaders was initiated in May 2013, with participants including several Qataris and participants from Alliance banks. Our Graduate Development Programme saw a number of graduates, including Qataris, enrolled during the year and our new Bachelors Programme also launched in 2013.

During the year, Commercial Bank's Banking Associate Programme saw young nationals undergo a fast-track tailored education at CNA-Q on banking fundamentals before joining the Bank as full time tellers, CSAs and universal agents. Our Internship initiative accommodated Qatari interns and our Sponsorship Programme offered a number of prospective young Qatari nationals the opportunity to pursue higher education within the country under Commercial Bank aid.

Following the success of the Youth Leadership Acceleration Programme (YLAP) and positive feedback from parents, Commercial Bank pledged to hold the series of special workshops for a second time in 2014. YLAP is organised in partnership with HEC Paris in Qatar, a member of Qatar Foundation, and is designed to build key leadership skills for promising young Qatari nationals aged 16 to 20.

Commercial Bank is fortunate to also have many long-term employees, who have served customers dutifully and professionally for several decades. The Bank honoured staff members for their long-term service and outstanding loyalty to the Bank and customers during the Annual Staff Event held in Katara's Cultural Hall in March 2013. Nineteen employees who have worked with the Bank for over 20 years were thanked and acknowledged, followed by the awarding of certificates and honours.

Supporting women in business

Commercial Bank strongly encourages the empowerment of women in Qatar. All the Bank's development programmes have a high percentage of female participants and are designed to provide women with the skills and confidence required to succeed in business. The Bank is inspired by its female workforce and their commitment to excellence.

In May, Commercial Bank hosted a networking lunch for the Qatari Businesswomen Association to present business banking opportunities. Enhancing the opportunities available for business and professional women to succeed is a central part of developing Qatar's human capital in support of the Qatar National Vision 2030 and Commercial Bank strives to enhance the services we provide and the support we give to Qatari women.

Transforming the way we work and service

Commercial Bank has always sought continuous improvement and ways to innovate the way we work. In line with this journey, the Bank introduced a new HR system in 2013 which has proved beneficial to the organisation. All key HR services such as payroll; performance management; leaves; claims and credit facilities are now accessible online, which provides transparency and expediency to the way HR services are delivered to the Bank's employees. The initiative, which has also contributed towards moving to a paperless environment, has been widely recognised for its exceptional implementation and won the HR Middle East excellence award for the 'HR Initiative of the year'.

Commercial Bank won the award for 'Cb-Connect' – the Bank's proprietary HR transformation programme, which is now also a case study at Microsoft for delivering service excellence enabled by technology. We are proud to have contributed to the growth and development of the regional HR industry and look forward to many more such achievements in other categories in the future.

Our Brand

To emphasise Commercial Bank's desire to continuously innovate and stay abreast of emerging digital trends, in 2013 we implemented an evolution of our visual identity. The Bank's four crescents, that have been the heart of the identity since the foundation of the Bank, are now set against a changing colourscape of vibrant colours inspired by the sky of Qatar at different times of the day – dawn, day, dusk and night.

We also relaunched the Bank's website, with the colour of its pages regularly changing depending on the time of day customers visit the site. We enhanced the design and performance of the website in direct response to customer wishes for easier and quicker secure transactions online, identical pages in both Arabic and English, and the availability of 24-hour, digital banking services.

Acknowledgement

Commercial Bank's successful business performance in 2013 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, 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.

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 His Excellency the Minister of Economy and Finance and His Excellency the Governor of Qatar Central Bank for their continued guidance and support of the Bank throughout this past year. The Qatar Central Bank, under the leadership of His Excellency 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 nearly 40 years and are very optimistic about what the future will bring for the Bank and for Qatar.

Mr. Abdulla Saleh Al Raisi
Chief Executive Officer

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.

16 March 2014
For and on behalf of the Board of Directors:

Mr. Hussain Ibrahim Al Fardan
Managing Director

Mr. Abdulla Saleh Al Raisi
Chief Executive Officer

Supporting sport and healthy living

Sport and healthy living is a cornerstone of Qatar's National Vision and our aim is to instil a more healthy and active culture within the Bank's family and the community at large by sponsoring and promoting activities that reinforce healthy lifestyle habits.

Our involvement with Reach Out To Asia (ROTA) and 'Step into Health' by Aspire Zone Foundation, and our sponsorship of the Commercial Bank Qatar Masters Golf Tournament for the eighth year demonstrates our commitment to supporting the wellbeing of the Nation.

Commercial Bank staff and their families 'Reach Out By Having Fun' at the 6th Wheels 'n' Heels Family Fun Day that was held at the Museum of Islamic Art Park on the Doha Corniche in February 2013.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Corporate Governance Report 2013

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 2013. 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, 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 2013 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 Committee comprises three (3) Board Members, and the current Members are Sheikh Abdullah bin Ali bin Jabor Al Thani (Chairman), Sheikh Ahmed bin Nasser bin Faleh Al Thani and Mr. Omar Hussain Al Fardan.

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 (4) times in 2013.

Policy, Strategy and Governance Committee
The Committee comprises four (4) Board Members, and the current Members are HE Abdullah bin Khalifa Al Attiyah (Chairman), Sheikh Abdullah bin Ali bin Jabor Al Thani, Mr. Hussain Ibrahim Al Fardan and Mr. Omar Hussain Al Fardan together with Mr. Andrew C. Stevens (Group CEO) and Mr. Abdulla S Al Raisi (CEO).

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.

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 13 times in 2013.

Board Executive Committee
The Committee comprises four (4) Board Members, and the current Members are HE Abdullah bin Khalifa Al Attiyah (Chairman), Sheikh Abdullah bin Ali bin Jabor Al Thani, Mr. Hussain Ibrahim Al Fardan and Mr. Omar Hussain Al Fardan.

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.

Corporate Governance Continued

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 2013.

Board Audit and Compliance Committee
The Committee comprises three (3) Board Members, and the current Members are Mr. Khalifa Abdullah Al Subaey (Chairman), Sheikh Jabor bin Ali bin Jabor Al Thani and Sheikh Ahmed bin Nasser bin Faleh Al Thani as well as Mr. Abdulla Mohammed Ibrahim Al Mannai (alternate member).

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 2013.

Board Remuneration Committee
The Committee comprises three (3) Board Members, and the current Members are Sheikh Jabor bin Ali bin Jabor Al Thani (Chairman), Mr. Abdulla Mohammed Ibrahim Al Mannai and Mr. Hussain Ibrahim Al Fardan as well as 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 2013.

Board Nomination Committee
The Committee comprises two (2) Board Members, and the current Members are Sheikh Jabor bin Ali bin Jabor Al Thani (Chairman) and Mr. Jassim Mohammed Jabor Al Mosallam as well as 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 (2) times in 2013.

2.9 Directors' Remuneration

Remuneration of Directors is in accordance with QCB Circular No. 75/2011 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 2013 (including fixed remuneration and meeting attendance fees) was QAR 23.85 million. (2012: QAR 46.08 million).

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 2013, total costs incurred by the Bank with respect to retaining counsel and consultants amounted to QAR 76.7 million.

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

As at 31 December 2013, the Board of Directors of the Bank comprised the following members:

- **H.E. Abdullah bin Khalifa Al Attiyah**
  Chairman

Date of First Appointment	1980
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Independent
Shares %*	1.07%

- **Sh. Abdullah bin Ali bin Jabor Al Thani**
  Vice Chairman

Date of First Appointment	1990
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Non-Independent
Shares %*	1.58%

- **Mr. Hussain Ibrahim Al Fardan**
  Managing Director

Date of First Appointment	1975
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Non-Independent
Shares %*	1.06%

- **Mr. Jassim Mohammed Jabor Al Mosallam**
  Member

Date of First Appointment	1975
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Independent
Shares %*	0.81%

- **Mr. Khalifa Abdullah Al Subaey**
  Member

Date of First Appointment	1987
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Independent
Shares %*	1.78%

- **Mr. Abdulla Mohammed Ibrahim Al Mannai**
  Member

Date of First Appointment	1987
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Independent
Shares %*	0.99%

- **Mr. Omar Hussain Al Fardan**
  Member

Date of First Appointment	2002
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Non-Independent
Shares %*	0.25%

- **Sh. Jabor bin Ali bin Jabor Al Thani**
  Member

Date of First Appointment	2002
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Independent
Shares %*	0.86%

- **Sh. Ahmed bin Nasser bin Faleh Al Thani**
  Member

Date of First Appointment	1975
Expiry of Current Appointment	2013
Status on Board	Non-Executive, Independent
Shares %*	1.00%

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:

HE Abdullah bin Khalifa Al Attiyah
Chairman

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

State Minister; Vice Chairman of Qatar Insurance Company; Chairman of Gulf Publishing and Printing Company; owner of Contraco W.L.L.

Graduated from the USA with a BA in Political Science.

Sheikh Abdullah bin Ali bin Jabor Al Thani
Vice Chairman

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

Director of National Bank of Oman and 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 Al Fardan
Managing Director

Member of the Board Executive Committee, the Policy, Strategy and Governance Committee and the Remuneration Committee.

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

Mr. Omar Hussain Al Fardan
Board Member

Member of the Board Executive Committee, the Policy, Strategy and Governance Committee and 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 Sharjah;

Director of Marsaarabia, United Development Company and Qatar Red Crescent Society; Member of the Board of Trustees of the American University of Beirut.

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

Corporate Governance Continued

Mr. Jassim Mohammed Jabor Al Mosallam
Board Member

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

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

Mr. Khalifa Abdullah Al Subaey
Board Member, representing Qatar Insurance Company

Chairman of the Audit and Compliance Committee.

President and CEO of Qatar Insurance Company; Managing Director of QIC International LLC, Q-Re Insurance Company, Qatar Life & Medical Insurance Company and Damaan Islamic Insurance Company (BEEMA); Director of QIC Real Estate Company WLL; Director of Qatar Economic Advisors WLL; Chairman of Intertec Group WLL.

Graduated from the USA with a BA in Economic and Political Science.

Sheikh Jabor bin Ali bin Jabor Al Thani
Board Member

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

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

Mr. Abdulla Mohammed Ibrahim Al Mannai
Board Member

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

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

Sheikh Ahmed bin Nasser bin Faleh Al Thani
Board Member, representing Naser Bin Faleh Group

Member of the Board Risk Committee and the Audit and Compliance Committee.

Director of United Development Company; partner in Waset Trading Company and Ali Bin Nasser Al Thani and Brothers.

MBA in Engineering Management.

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 2013, Executive Management of the Bank comprised the following:

Name	Position
Mr. Andrew C. Stevens	Group Chief Executive Officer (GCEO)
Mr. Abdulla Al Raisi	Chief Executive Officer (CEO)
Mr. Nicholas Coleman	EGM & Group Chief Financial Officer
Mr. Sandeep Chouhan	EGM & Group Chief Operating Officer
Mr. Abduljalil Borhani	EGM, Strategic Clients
Mr. Stephen Mullins	EGM, Corporate Banking
Mr. James Kneller	EGM & Head of Organizational Effectiveness
Mr. Dean Proctor	EGM, Retail & Consumer Banking
Mr. Fahad Badar	EGM & Head of Wholesale Banking
Mrs. Rana Salatt	EGM & Chief Risk Officer
Mr. Jeremy Davies	EGM & Chief Marketing Officer
Mr. Khoda Fartash	EGM & Group Chief Legal Officer
Mr. Risha Mohyeddin	EGM, Treasury and Financial Markets
Mr. Gary Williams	Senior AGM & Chief Internal Auditor
Mr. Mohamad Mansour	AGM & Head of Compliance & AML/CFT Department

3.1 Education, Experience and Affiliations

Mr. Andrew C. Stevens
Currently serves as the Group Chief Executive Officer of Commercial Bank of Qatar, responsible for the strategy and performance of Commercial Bank in Qatar, Alternatifbank in Turkey, United Arab Bank in the UAE, and National Bank of Oman in the Sultanate of Oman. 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 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 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. Nicholas Coleman
Graduated from London Guildhall University with a BA (Hons) in Economics; joined Commercial Bank as EGM & Group Chief Financial Officer in 2008; over 22 years experience as a seasoned banker with The Bank of New York in London, National Westminster Bank in London and Morgan Stanley in London; previously with Arthur Young

in Kuwait; Fellow of the Institute of Chartered Accountants in England and Wales; Director of United Arab Bank, Alternatifbank, Orient 1 Limited and CBQ Finance Limited.

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. 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. Stephen Mullins
Joined Commercial Bank in 2009 as Group Chief Credit Officer and promoted to EGM Corporate Banking in September 2010; over 35 years of banking experience including 24 years with National Westminster Bank Group, two years with ICICI Bank and eight years as Regional Head of Credit with Nedbank in their regional office in Hong Kong; associate of the Institute of Bankers.

Mr. James Kneller
Joined Commercial Bank as EGM & Head of Organizational Effectiveness in 2011; prior to joining, he led a management and business coaching consultancy based in London and before this, spent four years with Banco Santander as HR Director during the integration of their UK acquired businesses; spent five years working within the Saudi Arabian based ALJ Group as both an HR Director and Business Head and has also held senior HR positions with Dixons, Granada Group and Sainsburys.

Mr. Dean M. Proctor
Joined Commercial Bank in 2012 as EGM Retail & Consumer Banking; previously CEO of Arbuthnot Latham & Co. Ltd, a private bank in the UK, for three 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 the UAE; spent 14 years with Lloyds Bank Plc working in retail and corporate banking across all divisions; Chairman of Massoun Insurance Services and Asteco Qatar and Director of Commercial Bank Investment Services and Orient 1 Limited.

Mr. Fahad Badar
Joined Commercial Bank in 2000 and currently serves as EGM Government & International 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; BA in Banking & Finance from the University of Wales and an MBA from Durham University; Director of Alternatifbank.

Mrs. 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; 16 years of banking experience in Commercial Bank between Retail and Risk.

Mr. Khoda Fartash
Joined Commercial Bank in 2007 and currently serves as EGM & Group Chief Legal Officer; previously with the law firm Allen & Overy in London, Frankfurt and Milan; over 12 years experience as a banking and finance lawyer; qualified English Solicitor and registered foreign lawyer at the Milan Bar; graduated from Oxford University in 1997 with a BA (Hons) in Oriental Studies (Arabic).

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. Risha Mohyeddin
Graduated with an M.S. in Finance from Boston College, U.S. and an MBA from Melbourne Business School, Australia; joined Commercial Bank in Jan-2013 from Barclays Bank; over 20 years global experience in Treasury & Capital Markets, primarily with Barclays, Citibank and UBL, in the Middle East region and Pakistan.

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.

Corporate Governance
Continued

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.

Group Special Assets Management (GSAM) 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 GSAM Committee supervises these activities, reviews related policies and procedures and monitors actions being taken on all accounts within the Special Asset portfolio. The Group 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
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/GCEO 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 2013 in QAR thousands was:

Fixed Remuneration	44,717	
Discretionary Remuneration	26,344	
Other Benefits	4,242	
Total	75,303	(2012: 70,279)

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 2013, 86.38% of the total number of shares in the Bank were held by Qatari nationals (whether individuals or entities) and 13.62% of such shares by foreign investors. As at 31 December 2013, in percentage terms, the largest shareholdings in the Bank were as follows.

Qatar Holding LLC	16.67%
Al Watani Fund 8	2.60%
Al Watani Fund 3	2.35%
Al Watani Fund 4	2.09%

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 Bank has finalised the US (FATCA) impact assessment and implementation roadmap, maintained the Data Cleansing Project for all customers data, set up the compliance and risk governance with ABank – Turkey and introduced different layers of additional blacklist / sanction check controls embedded into the systems and processes.

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 12 staff in the Internal Audit function as at 31 December 2013, 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 2013, the Internal Audit function produced a total of 30 audit and investigation reports, which covered a total of 126 units within the Bank's inventory of auditable units.

Additionally, the Internal Audit function undertook 7 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.

Corporate Governance Continued

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 Promotion

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).

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 2013 by Qatar Central Bank amounted to QAR 1,193,500 (2012: 471,000) in respect of breaches of real estate ratios set by Qatar Central Bank and different QCB regulations.

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.

Corporate Social Responsibility (CSR) involves assessing all the ways that the Bank's actions and operations may potentially impact others. The Bank's approach to Corporate Social Responsibility is rooted in its core values which shape the way it does business, which are:

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.

Corporate Governance Continued

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:

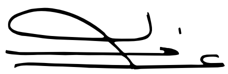
1. Ensuring the health, safety, security and welfare of all its employees whilst at work;
2. Ensuring that visitors to the Bank's premises are not exposed to risks to their health and safety;
3. Identifying hazards, assessing risks and managing those risks;
4. Maintaining arrangements for ensuring the 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 Khalifa Al Attiyah
Chairman

Financial Report 2013

Independent Auditor's 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 Commercial Bank of Qatar (Q.S.C.) (the "Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement and consolidated statements of 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.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and applicable provisions of Qatar Central Bank regulations and for such internal control as management 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 whether the consolidated financial statements are free of 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 controls relevant to the Bank'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 Bank's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, 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 Group as at 31 December 2013, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and applicable provisions of Qatar Central Bank regulations.

Other matter

The consolidated financial statements as at and for the year ended 31 December 2012 were audited by another auditor whose audit report dated 27 January 2013, expressed an unmodified audit opinion thereon.

Report on other legal and regulatory requirements

We have obtained all the information and explanations which we consider necessary for the purpose of our audit. The Bank has maintained proper accounting records and the 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 applicable provisions of Qatar Central Bank Law No. 13 of 2012, Qatar Commercial Law No. 5 of 2002 or the terms of 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 2013.

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

09 February 2014
Doha, State of Qatar

Consolidated Statement of Financial Position

Figures in thousand Qatar Riyals

As at 31 December	Notes	2013	2012
ASSETS			
Cash and balances with central banks	8	6,902,547	3,448,128
Due from banks	9	15,177,969	9,731,562
Loans and advances to customers	10	66,862,544	48,594,475
Investment securities	11	14,706,294	11,162,179
Investment in associates	12	4,198,469	4,054,157
Property and equipment	13	1,283,186	1,197,069
Intangible assets	14	996,486	-
Other assets	15	2,984,370	1,850,182
TOTAL ASSETS		**113,111,865**	80,037,752
LIABILITIES			
Due to banks	16	12,599,210	9,855,682
Customer deposits	17	63,419,931	41,385,546
Debt securities	18	9,759,667	8,705,816
Other borrowings	19	7,345,717	3,471,515
Other liabilities	20	3,432,245	1,679,815
TOTAL LIABILITIES		**96,556,770**	65,098,374
EQUITY			
Share capital	21	2,474,464	2,474,464
Legal reserve	21	8,820,259	8,740,540
General reserve	21	26,500	26,500
Risk reserve	21	1,316,300	924,600
Fair value reserves	21	(146,525)	163,225
Foreign currency translation reserve		(232,988)	-
Other reserves	21	835,840	673,604
Other equity	39	(512,761)	-
Retained earnings		1,381,870	1,936,445
TOTAL EQUITY ATTRIBUTABLE TO SHARE HOLDERS OF THE BANK		**13,962,959**	14,939,378
Non-controlling interests		592,136	-
Instrument eligible for additional capital	21	2,000,000	-
TOTAL EQUITY		**16,555,095**	14,939,378
TOTAL LIABILITIES AND EQUITY		**113,111,865**	80,037,752

The consolidated financial statements were approved by the Board of Directors on 9 February 2014 and were signed on its behalf by:

HE Abdullah bin Khalifa Al Attiyah	**Mr. Hussain Ibrahim Alfardan**	**Mr. Abdulla S Al Raisi**
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	2013	2012
Interest income	24	3,607,146	2,898,193
Interest expense	25	(1,418,787)	(1,031,939)
Net interest income		**2,188,359**	1,866,254
Fee and commission income	26	852,473	689,091
Fee and commission expense	27	(176,883)	(170,487)
Net fee and commission income		**675,590**	518,604
Net foreign exchange gain	28	179,388	155,563
Income from investment securities	29	209,534	365,972
Other operating income	30	181,025	77,598
Net operating income		**3,433,896**	2,983,991
Staff costs	31	(684,700)	(499,382)
Depreciation	13	(140,473)	(121,948)
Amortization of Intangible assets	14	(3,252)	-
Impairment loss on investment securities	11 (d)	(109,937)	(61,917)
Net impairment loss on loans and advances to customers	10 (c)	(603,967)	(139,944)
Other expenses	32	(608,742)	(407,052)
Profit before share of results of associates		**1,282,825**	1,753,748
Share of results of associates	12	324,933	258,546
Profit before tax		**1,607,758**	2,012,294
Income tax expenses		(2,380)	-
Profit for the year		**1,605,378**	2,012,294
Attributable to:			
Equity holders of the Bank		**1,604,485**	2,012,294
Non-controlling interests		893	-
Profit for the year		**1,605,378**	2,012,294
Earnings per share			
Basic/diluted earnings per share (QAR per share)	33	**6.48**	8.13

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	2013	2012
Profit for the year		**1,605,378**	2,012,294
Other comprehensive income for the year:			
Items that are, or may subsequently be, reclassified to profit or loss:			
Foreign currency translation differences for foreign operation	22	(232,988)	-
Share of other comprehensive income of investment in associates	22	(17,924)	10,717
Net movement in fair value of available-for-sale investments	22	(291,826)	221,056
Other comprehensive income for the year		**(542,738)**	231,773
Total comprehensive income for the year		**1,062,640**	2,244,067
Attributable to:			
Equity holders of the Bank		1,061,747	2,244,067
Non-controlling interests		893	-
Total comprehensive income for the year		**1,062,640**	2,244,067

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

Consolidated Statement of Changes in Equity

For the year ended 31 December	**Notes**	**Share capital**	**Legal reserve**	**General reserve**	**Risk reserve**
Balance as at 1 January 2013		2,474,464	8,740,540	26,500	924,600
Total comprehensive income for the year					
Profit for the year		-	-	-	-
Other comprehensive loss		-	-	-	-
Total comprehensive income for the year		-	-	-	-
		-			
Transfer to risk reserve		-	-	-	391,700
Instrument eligible for additional capital	21	-	-	-	-
Net movement in legal and other reserves		-	79,719	-	-
Social and sports fund appropriation	23	-	-	-	-
Transactions with equity holders, recognised directly in equity					
Contributions by and distributions to equity holders:					
Dividends for the year 2012	21	-	-	-	-
Put option on Non-Controlling Interests	39	-	-	-	-
Net movement in Non-Controlling Interests		-	-	-	-
Total contributions by and distributions to equity holders		-	-	-	-
Balance as at 31 December 2013		**2,474,464**	**8,820,259**	**26,500**	**1,316,300**

For the year ended 31 December	Notes	Share capital	Legal reserve	General reserve	Risk reserve
Balance as at 1 January 2012		2,474,464	8,740,540	26,500	805,600
Total comprehensive income for the year					
Profit for the year		-	-	-	-
Other comprehensive income	22	-	-	-	-
Total comprehensive income for the year		-	-	-	-
Transfer to risk reserve	21	-	-	-	119,000
Net movement in other reserves	21	-	-	-	-
Social and sports fund appropriation		-	-	-	-
Transactions with equity holders, recognised directly in equity					
Contributions by and distributions to equity holders:					
Dividends paid		-	-	-	-
Total contributions by and distributions to equity holders		-	-	-	-
Balance as at 31 December 2012		2,474,464	8,740,540	26,500	924,600

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

Figures in thousand Qatar Riyals

Fair value reserves	**Foreign currency translation reserve**	**Other reserves**	**Other equity**	**Retained earnings**	**Total equity attributable to share holders of the Bank**	**Non-Controlling Interests**	**Instrument eligible for additional capital**	**Total equity**
163,225	-	673,604	-	1,936,445	14,939,378	-	-	14,939,378
-	-	-	-	1,604,485	1,604,485	893	-	1,605,378
(309,750)	(232,988)	-	-	-	(542,738)	-	-	(542,738)
(309,750)	(232,988)	-	-	1,604,485	1,061,747	893	-	1,062,640
-	-	-	-	(391,700)	-	-	-	-
-	-	-	-	-	-	-	2,000,000	2,000,000
-	-	162,236	-	(241,955)	-	-	-	-
-	-	-	-	(40,135)	(40,135)	-	-	(40,135)
-	-	-	-	(1,484,678)	(1,484,678)	(7,810)	-	(1,492,488)
-	-	-	(512,761)	-	(512,761)	-	-	(512,761)
-	-	-	-	(592)	(592)	599,053	-	598,461
-	-	-	(512,761)	(1,485,270)	(1,998,031)	591,243	-	(1,406,788)
(146,525)	**(232,988)**	**835,840**	**(512,761)**	**1,381,870**	**13,962,959**	**592,136**	**2,000,000**	**16,555,095**

Figures in thousand Qatar Riyals

Fair value reserves	Foreign currency translation reserve	Other reserves	Other equity	Retained earnings	Total equity attributable to share holders of the Bank	Non-Controlling Interests	Instrument eligible for additional capital	Total equity
(68,548)	-	556,456	-	1,695,284	14,230,296	-	-	14,230,296
-	-	-	-	2,012,294	2,012,294	-	-	2,012,294
231,773	-	-	-	-	231,773	-	-	231,773
231,773	-	-	-	2,012,294	2,244,067	-	-	2,244,067
-	-	-	-	(119,000)	-	-	-	-
-	-	117,148	-	(117,148)	-	-	-	-
-	-	-	-	(50,307)	(50,307)	-	-	(50,307)
-	-	-	-	(1,484,678)	(1,484,678)	-	-	(1,484,678)
-	-	-	-	(1,484,678)	(1,484,678)	-	-	(1,484,678)
163,225	-	673,604	-	1,936,445	14,939,378	-	-	14,939,378

Consolidated Statement of Cash Flows

Figures in thousand Qatar Riyals

For the year ended 31 December	Notes	2013	2012
Cash flows from operating activities			
Profit for the year before income tax		1,607,758	2,012,294
Adjustments for:			
Net impairment loss on loans and advances to customers	10 (c)	603,967	139,944
Impairment loss on investment securities	11 (d)	109,937	61,917
Depreciation	13	140,473	121,948
Amortization of intangible assets	14	3,252	-
Amortization of transaction costs for borrowings	18&19	21,742	20,527
Loss (Gain) on investment securities at fair value through profit or loss	29	2,770	(2,664)
Net gain on disposal of available-for-sale investments	29	(193,450)	(337,161)
Gain on disposal of other assets		(31,944)	(364)
Share of results of associates	12	(324,933)	(258,546)
Operating profit before working capital changes		**1,939,572**	1,757,895
Working capital changes			
Change in due from banks		(1,943,821)	(2,186,297)
Change in loans and advances to customers		(8,833,156)	(7,022,636)
Change in other assets		(1,096,323)	(475,217)
Change in due to banks		117,653	597,752
Change in customer deposits		14,879,996	3,396,863
Change in other liabilities		681,774	300,325
Contribution to social and sports activities support fund		(50,307)	(47,099)
Cash from / (used in) operations		**5,695,388**	(3,678,414)
Income tax paid		(130)	-
Net cash from / (used in) operating activities		**5,695,258**	(3,678,414)
Cash flows from investing activities			
Acquisition of investment securities		(9,949,548)	(7,031,632)
Dividend received from associates		162,697	141,398
Acquisition of a subsidiary, net of cash acquired		(1,112,787)	-
Proceeds from sale/maturity of investment securities		8,781,890	8,101,244
Acquisition of property and equipment	13	(187,790)	(248,690)
Proceeds from the sale of property and equipment		-	365
Proceeds from the sale of other assets		151,000	-
Net cash (used in) / from investing activities		**(2,154,538)**	962,685
Cash flows from financing activities			
Proceeds from issue of debt securities	18	515,870	1,791,934
Repayment of debt securities	18	(563,265)	(2,366,000)
Repayment of other borrowings	19	(2,407,427)	-
Proceeds from other borrowings	19	4,014,764	1,650,219
Proceeds from issue of instrument eligible for additional capital		2,000,000	-
Dividends paid		(1,492,488)	(1,484,678)
Net cash from / (used in) financing activities		**2,067,454**	(408,525)
Net increase / (decrease) in cash and cash equivalents		5,608,174	(3,124,254)
Effect of exchange rate fluctuation		(100,337)	-
Cash and cash equivalents as at 1 January		703,465	3,827,719
Cash and cash equivalents as at 31 December	35	**6,211,302**	703,465
Net cash flows from operating activities:			
Interest paid		**1,173,089**	1,002,400
Interest received		**3,053,973**	2,872,323
Dividend received		**18,854**	26,147

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 1975 as a public shareholding company under Emiri Decree No.73 of 1974. The commercial registration 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 2013 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, subsidiaries and branches.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Capital of the subsidiary		Activity of the subsidiary	Percentage of ownership 2013	2012
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%
Commercial Bank Investment Services (S.P.C.)	Qatar	QAR	100,000,000	Brokerage services	100%	100%
Alternatifbank A.S. ("ABank")	Turkey	TRY	420,000,000	Banking Services	74.24%	-

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 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 items which are measured at fair value:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(v) 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.

(vi) 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.

(vii) Joint ventures

Joint ventures are entities where the Group has a contractual arrangement with one or more parties to undertake activities through entities that are subject to joint control.
The Group recognises interests in a jointly controlled entity using the equity method of accounting. The accounting policy given in Note 3(a)(iv) therefore applies for joint ventures.

(viii) 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.

(ix) Put option on Non-controlling interests (NCI)

The fair value of put option on the NCI is based on the present value of the redemption amount in accordance with IAS 32 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 expired without exercising, this recorded value would be reversed.

Puttable instruments on NCI relating to the acquisition of Alternatifbank A.S. ("ABank") are initially recognised at fair value as a liability and the debit is recognised as 'Other Equity'. Subsequent changes in the fair value are recognised through equity. The fair value of the put option on the NCI is based on the present value of the redemption amount, calculated using discounted cash flow techniques, as if the puttable instrument had been exercised at the reporting date.

(b) Foreign currency

(i) Foreign currency transactions and balances

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

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

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 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); or
- at fair value through profit or loss (FVTPL), either as: held for trading; or FVTPL on initial designation

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

(iii) Derecognition (continued)

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).

(ii) Fair value measurement

Policy applicable from 1 January 2013

'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.

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 (continued)

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.

Policy applicable before 1 January 2013

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

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial assets and financial liabilities (continued)

(v) Measurement principles (continued)

(iii) Identification and measurement of impairment (continued)

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 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 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 amounts due to banks with remaining 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.

(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.

Notes to the Consolidated Financial Statements Continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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 is not depreciated.

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

Buildings	20 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.

Notes to the Consolidated Financial Statements Continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of goodwill and intangible assets (continued)

(ii) Intangible assets (continued)

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.

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

Defined benefit plan

The Group 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 Group 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

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) Fees 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 Board of Directors 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.

(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.

Notes to the Consolidated Financial Statements Continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 bank financial information

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

(z) New standards, amendments and interpretations

New standards, amendments and interpretations effective from 1 January 2013

The following standards, amendments and interpretations, which became effective as of 1 January 2013, and are relevant to the Group:

- **IAS 1 (amendment) - Presentation of items of other comprehensive income**

  The amendments to IAS 1 require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss the future if certain conditions are met from those that would never be reclassified to profit or loss.

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

- **IAS 19 Employee benefits (2011)**

  IAS 19 (2011) changes the definition of short term and other long term employee benefits to clarify the distinction between the two.

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

- **IAS 28 (2011) – Investment in Associates and Joint ventures**

  IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the following amendments:

  Associates held for sales: IFRS 5 Non-current Asset Held for Sales and Discontinued Operations to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sales. For any retained portion of the investment that has not been classified held for sales, the entity applies the equity method until disposal of the portion held for sales. After disposal, any retained interest is accounted for using the equity interest continues to be an associate or a joint venture, and

  On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the entity does not remeasure the retained interest.

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

- **Amendments to IFRS 7 and IAS 32 on offsetting financial assets and financial liabilities (2011)**

  Disclosures – Offsetting Financial Assets and Financial Liability (Amendment to IFRS 7) introduces disclosures about the impact of netting arrangements on an entity's financial positions. Based on the new disclosure requirement, the Group has to provide information about what amounts have been offset in the statement of financial position and the nature and extent of rights of set off under the master netting arrangements or similar arrangements.

  Financial instruments) on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- **IFRS 10 - Consolidated financial statements and IAS 27 Separate Financial Statements (2011)**
  IFRS 10 introduces a single control model to determine whether an investee should be consolidated. IFRS 10 replaces the parts of previous existing IAS 27 Consolidation and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. This new control model focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvements with the investee and ability to use its power to affect those returns. The Group has amended its accounting policy on consolidation in line with the requirements of IFRS 10 and has re-assessed its consolidation conclusion.

  The reassessment of control and consolidation requirements had no significant impact on the consolidated financial statements.

- **IFRS 11 – Joint Arrangements**
  IFRS 11 replaces the parts of previously existing IAS 31 interests in Joint Venture that dealt with Joint Ventures. IFRS 11 requires that interests in joint arrangements be classified as either joint operations (if the Group has the rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint venture (if the Group has the rights only to the net assets of an arrangement. When making this assessment, the Group has to consider the structure of the arrangements and other facts and circumstances).

  The Group has amended its accounting policy for its joint arrangements and has re-evaluated its involvement in its joint arrangements.

  The re-evaluation of involvement in joint arrangements had no significant impact on the consolidated financial statements.

- **IFRS 12 - Disclosures of interests in other entities**
  IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries and other structured entities. Refer to Note X for the disclosure note.

- **IFRS 13 - Fair value measurement**
  IFRS 13 provides a single source of guidance in how fair value is measured and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. It unified the definition of fair value as the price that would be received to sell asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosures requirements about fair value measurement in other IFRS, including IFRS 7.

  As a result, the Group has included additional disclosures in this regard. In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for the new disclosures. Notwithstanding the above, the change had no significant impact of the measurements of the Group's assets and liabilities.

- **Improvements to IFRSs (2011)**
  Improvements to IFRS issued in 2011 contained numerous amendments to IFRS that the IASB considers non-urgent but necessary. "Improvements to IFRS" comprise amendments that results in accounting changes to presentation, recognition, or measurements purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. There were significant changes to the current accounting policies of the Group as a result of these amendments.

New Standards, Amendments and Interpretations issued but not yet effective
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which are relevant to the Group are set out below. The Group has no plan for early adoption.

- **IFRS 9 – Financial Instruments**
  IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions to the standard relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

  IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised costs if the business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other assets will be measured as fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sales and loan and receivables.

Notes to the Consolidated Financial Statements Continued

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- **IFRS 9 – Financial Instruments** (continued)
  The standard requires that derivatives embedded in contracts with a host that is financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety.

  IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendments the guidance on classification and measurement of liabilities from IAS 39.

  IFRS 9 (2013) introduces a new general hedge accounting standard which would align hedge accounting more closely with the risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weakness in the hedge accounting model in IAS 39. The new standard does not fundamentally change the types of hedge relationships or the requirements to measure and recognise ineffectiveness; however, more judgement would be required to assess the effectiveness of a hedging relationship under the new standard.

  The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted, The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues. The Group has commenced the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed.

  The Group is currently assessing the impact of this amendment.

- **Amendments to IAS 19R: Employee Benefits**
  IAS 19 Employee Benefits (Amendments to IAS 19R) apply to contributions from employees or third parties to defined benefits plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employment service.

  The amendments are effective for annual periods beginning on or after 1 January 2014, Early adoption is permitted. The Group is not expecting a significant impact from the adoption of these amendments.

- **Amendments to IAS 32 on offsetting financial assets and financial liabilities (2011)**
  Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforcement right to offset and when gross settlements is equivalents to net settlement.

  The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Earlier application is permitted. The Group is not expecting a significant impact from the adoption of these amendments.

- **Novation of Derivatives and Continuation of Hedge Accounting (2013)**
  Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 provides relief from discontinuing hedge accounting if certain criteria are met.

  The amendments are effective for annual periods on or after 1 January 2014. Earlier application is permitted. Although the amendments are applied retrospectively, if an entity has previously discontinued hedge accounting as a result of novation, the previous hedge accounting (pre-novation) for that relationship cannot be restated. The Group is not expecting a significant impact from the adoption of these amendments.

- **Investment Entities (Amendments to IFRS 10 and IFRS 12)**
  The IASB published Investment Entities (Amendments to IFRS 10 and IFRS 12), which grants certain relief from consolidation to investment entities. It requires qualifying investment entities to account for investment in controlled investees on a fair value basis. The effective date is annual periods beginning on or after 1 January 2014, but early adoption is permitted to enable alignment with adoption of IFRS 10. The Group is not expecting a significant impact from the adoption of these amendments.

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.

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 Group 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 be 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 Committee (SAM) Active 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) 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.

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.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(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

	2013	2012
Credit risk exposures relating to assets recorded on the consolidated statement of financial position are as follows:		
Balances with central banks	6,281,842	3,024,354
Due from banks	15,177,969	9,731,562
Loans and advances to customers	66,862,544	48,594,475
Investment securities - debt	13,804,728	10,010,277
Other assets	1,746,772	912,306
Total as at 31 December	**103,873,855**	72,272,974
Other credit risk exposures are as follows:		
Guarantees	18,569,021	12,048,098
Letter of credit	5,408,175	7,541,840
Unutilised credit facilities	7,980,374	5,326,125
Total as at 31 December	**31,957,570**	24,916,063
	135,831,425	97,189,037

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

2013	**Qatar**	**Other GCC**	**Other Middle East**	**Rest of the world**	**Total**
Balances with central banks	4,291,936	-	1,989,906	-	6,281,842
Due from banks	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**

Figures in thousand Qatar Riyals

2012	Qatar	Other GCC	Other Middle East	Rest of the world	Total
Balances with central bank	3,024,354	-	-	-	3,024,354
Due from banks and financial institutions	3,991,495	2,562,195	273,014	2,904,858	9,731,562
Loans and advances to customers	45,352,295	2,281,335	145,600	815,245	48,594,475
Investment securities - debt	8,248,367	1,125,629	-	636,281	10,010,277
Other assets	460,671	169,627	341	281,667	912,306
	61,077,182	6,138,786	418,955	4,638,051	72,272,974

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

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**

Figures in thousand Qatar Riyals

2012	Qatar	Other GCC	Other Middle East	Rest of the world	Total
Guarantees	5,642,000	1,864,332	324,596	4,217,170	12,048,098
Letter of credit	3,889,389	47,995	100,475	3,503,981	7,541,840
Unutilised credit facilities	5,026,737	299,388	-	-	5,326,125
	14,558,126	2,211,715	425,071	7,721,151	24,916,063

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 2013	Gross exposure 2012
Funded		
Government	22,041,013	14,908,357
Government agencies	3,404,227	4,043,620
Industry	5,565,329	1,359,544
Commercial	11,090,974	6,810,623
Services	26,185,935	16,511,179
Contracting	5,919,606	3,778,961
Real estate	22,551,625	16,179,614
Consumers	5,557,729	6,985,502
Other Sectors	1,557,417	1,695,574
Total funded	**103,873,855**	72,272,974
Un-funded		
Government institutions & semi government agencies	3,087,077	3,135,373
Financial services	4,999,106	6,395,483
Commercial and others	23,871,387	15,385,207
Total un-funded	**31,957,570**	24,916,063
Total	**135,831,425**	97,189,037

Total maximum exposure net of tangible collateral is QAR 65 billion (2012: QAR 23 billion)

Notes to the Consolidated Financial Statements Continued

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

	2013	2012
Equivalent grades		
AAA to AA-	38,680,845	38,779,759
A+ to A-	10,729,303	7,117,909
BBB+ to BBB-	59,007,766	46,661,602
BB+ to B-	8,721,217	3,717,461
Unrated/ equivalent internal grading	18,692,294	912,306
	135,831,425	97,189,037

(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		Due from banks		Investment securities - debt	
	2013	2012	**2013**	2012	**2013**	2012
Neither past due nor impaired:						
A: Low risk – excellent	19,790,475	10,695,370	12,109,357	7,713,461	12,901,973	9,154,311
B: Standard/satisfactory risk	42,574,300	37,010,449	3,068,612	2,018,101	902,755	855,966
	62,364,775	47,705,819	**15,177,969**	9,731,562	**13,804,728**	10,010,277
Past due but not impaired :						
A: Low risk - excellent	1,458,718	5,238	-	-	-	-
B: Standard/satisfactory risk	2,115,032	971,339	-	-	-	-
	3,573,750	976,577	**-**	-	**-**	-
Impaired:						
C: Substandard	1,260,271	92,569	-	-	-	-
D: Doubtful	47,146	73,025	-	-	-	-
E: Bad debts	1,188,483	373,297	-	-	125,421	202,126
	2,495,900	538,891	**-**	-	**125,421**	202,126
Less: impairment allowance-specific	(1,072,298)	(359,992)	-	-	(125,421)	(202,126)
Less: impairment allowance-Collective	(499,583)	(266,820)	-	-	-	-
	924,019	(87,921)	**-**	-	**-**	-
Carrying amount – net	**66,862,544**	48,594,475	**15,177,969**	9,731,562	**13,804,728**	10,010,277

	2013	2012
Investment securities - debt		
Held to maturity	-	3,324,511
Available-for-sale	13,742,056	6,830,628
Investment securities designated at fair value through income statement	188,093	57,264
Less: impairment allowance	(125,421)	(202,126)
Carrying amount – net	**13,804,728**	10,010,277

Note: None of the other assets are past due or impaired as at 31 December 2013 and 31 December 2012.

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(v) Credit quality (continued)

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 loss 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

	2013	2012
Up to 30 days	3,072,893	581,199
31 to 60 days	293,145	272,591
Above 60 days	207,712	122,787
Gross	**3,573,750**	976,577

Rescheduled loans and advances to customers

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgement of local management, indicate that payment will most likely continue. These policies are kept under continuous review. 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 2013 is QAR 4,394 million (2012: QAR 4,297 million).

(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 1,282 million (2012: QAR 324 million) for past due up to 30 days, QAR 47 million (2012: QAR 11 million) for past due from 31 to 60 days and QAR 80 million (2012: QAR 89 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 (2012: QAR 344 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.

Notes to the Consolidated Financial Statements Continued

4. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(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 210 million (2012: QAR 127 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 our credit ratings, which are as follows:

Moody's:	Long Term A1, Short Term Prime 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.

(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:

	2013	2012
At 31 December	**113.17**	102.18
Average for the year	**103.70**	106.23
Maximum for the year	**113.17**	111.91
Minimum for the year	**101.01**	100.11

(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.

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(iii) Maturity analysis (continued)

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 2013								
Cash and balances with central banks	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
Property and equipment and all 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**

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 2012								
Cash and balances with central bank	3,448,128	1,033,721	-	-	1,033,721	-	-	2,414,407
Due from banks	9,731,562	6,977,586	484,800	2,087,176	9,549,562	182,000	-	-
Loans and advances to customers	48,594,475	2,162,809	1,274,851	4,262,383	7,700,043	10,173,224	30,721,208	-
Investment securities	11,162,179	11,421	534,502	1,481,812	2,027,735	4,245,900	3,736,642	1,151,902
Investment in associates	4,054,157	-	-	-	-	-	-	4,054,157
Property and equipment and all others assets	3,047,251	715,124	144,270	124,741	984,135	866,047	-	1,197,069
Total	80,037,752	10,900,661	2,438,423	7,956,112	21,295,196	15,467,171	34,457,850	8,817,535
Due to banks	9,855,682	7,584,548	522,572	-	8,107,120	1,748,562	-	-
Customer deposits	41,385,546	30,264,374	7,509,315	3,062,600	40,836,289	549,257	-	-
Debt securities	8,705,816	-	-	-	-	6,549,887	2,155,929	-
Other borrowings	3,471,515	-	-	1,818,345	1,818,345	1,653,170	-	-
Other liabilities	1,679,815	1,045,966	301,412	175,065	1,522,443	157,372	-	-
Total	65,098,374	38,894,888	8,333,299	5,056,010	52,284,197	10,658,248	2,155,929	-
Difference	14,939,378	(27,994,227)	(5,894,876)	2,900,102	(30,989,001)	4,808,923	32,301,921	8,817,535

Notes to the Consolidated Financial Statements Continued

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(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

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
31 December 2013							
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**

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**

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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

Figures in thousand Qatar Riyals

	Carrying amount	Gross undiscounted cash flows	Less than 1 month	1-3 months	3 months – 1 year	1-5 years	More than 5 years
31 December 2012							
Non-derivative financial liabilities							
Due to banks	9,855,682	9,877,210	7,601,115	523,714	-	1,752,381	-
Customer deposits	41,385,546	41,848,180	30,602,688	7,593,259	3,096,836	555,397	-
Debt securities	8,705,816	10,716,123	-	-	-	8,074,159	2,641,964
Other borrowings	3,471,515	3,566,207	-	-	1,867,944	1,698,263	-
Other liabilities	1,329,857	1,329,857	696,008	301,412	175,065	157,372	-
Total liabilities	64,748,416	67,337,577	38,899,811	8,418,385	5,139,845	12,237,572	2,641,964

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	(2,067,611)	(2,067,611)	-	-
Inflow	2,090,693	2,090,693	-	-
Interest rate swaps				
Outflow	(243,904)	(28,853)	(102,453)	(112,598)
Inflow	246,749	29,686	103,365	113,698
Derivatives Held as Fair Value Hedges:				
Cross currency interest rate swaps				
Outflow	(1,117,638)	(29,444)	(1,088,194)	-
Inflow	1,191,944	32,904	1,159,040	-
Total Outflows	(3,429,153)	(2,125,908)	(1,190,647)	(112,598)
Total inflows	3,529,386	2,153,283	1,262,405	113,698

(v) Off-balance sheet items

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**

Notes to the Consolidated Financial Statements Continued

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

(v) Off-balance sheet items (continued)

Figures in thousand Qatar Riyals

	Below 1 Year	Above 1 Year	Total
As at December 2012			
Loan commitments	1,323,176	4,002,949	5,326,125
Guarantees and other financial facilities	16,952,282	2,637,656	19,589,938
Capital commitments	393,822	-	393,822
Total	18,669,280	6,640,605	25,309,885

(d) Market risks

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in 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.

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

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

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.

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

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 2013							
Cash and balances with central banks	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 associates	4,198,469	-	-	-	-	4,198,469	-
Property and equipment and all 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 banks	(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)

Figures in thousand Qatar Riyals

	Carrying amount	Repricing in: Less than 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Effective interest rate %
31 December 2012							
Cash and balances with central bank	3,448,128	1,033,721	-	-	-	2,414,407	
Due from banks	9,731,562	7,462,386	2,087,176	182,000	-	-	0.89
Loans and advances to customers	48,594,475	27,966,992	18,838,262	1,503,779	-	285,442	5.15
Investment securities	11,162,179	261,823	2,112,649	3,342,004	4,293,801	1,151,902	4.69
Investment associates	4,054,157	-	-	-	-	4,054,157	-
Property and equipment and other assets	3,047,251	-	-	-	-	3,047,251	-
	80,037,752	36,724,922	23,038,087	5,027,783	4,293,801	10,953,159	
Due to Bank	(9,855,682)	(8,718,807)	(1,136,875)	-	-	-	0.64
Customer deposits	(41,385,546)	(28,256,660)	(3,062,600)	(549,257)	-	(9,517,029)	1.52
Debt securities	(8,705,816)	-	-	(6,549,887)	(2,155,929)	-	5.34
Other borrowings	(3,471,515)	(1,653,170)	(1,818,345)	-	-	-	1.66
Other liabilities	(1,679,815)	-	-	-	-	(1,679,815)	-
Equity	(14,939,378)	-	-	-	-	(14,939,378)	-
	(80,037,752)	(38,628,637)	(6,017,820)	(7,099,144)	(2,155,929)	(26,136,222)	
Interest rate sensitivity gap	-	(1,903,715)	17,020,267	(2,071,361)	2,137,872	(15,183,063)	
Cumulative Interest rate sensitivity gap	-	(1,903,715)	15,116,552	13,045,191	15,183,063	-	

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 asymmetrical 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		
2013		
At 31 December	**(151,041)**	**151,041**
Average for the year	**(123,806)**	**123,806**
2012		
At 31 December	(61,141)	61,141
Average for the year	(72,170)	72,170

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

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

Sensitivity analysis (continued)

Figures in thousand Qatar Riyals

	50 bp parallel increase	50 bp parallel decrease
Sensitivity to reported Fair value reserve in equity interest rate movements		
2013		
At 31 December	**8,194**	**(8,194)**
Average for the year	**8,346**	**(8,346)**
2012		
At 31 December	1,350	(1,350)
Average for the year	1,400	(1,400)

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.

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

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

	2013	2012
Net foreign currency exposure:		
Pounds Sterling	**59,882**	19,221
Euro	**217,349**	528,857
USD	**540,072**	(2,685,959)
Other currencies	**3,330,035**	3,203,459

Figures in thousand Qatar Riyals

	Increase / (decrease) in profit or loss		Increase / (decrease) in fair value reserve	
5% increase / (decrease) in currency exchange rate	**2013**	2012	**2013**	2012
Pound Sterling	**2,994**	961	**52**	45
Euro	**10,867**	26,443	**264**	268
Other currencies	**166,502**	160,173	**11,507**	16,646

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.

Notes to the Consolidated Financial Statements Continued

4. FINANCIAL RISK MANAGEMENT (continued)

(d) Market risks (continued)

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

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 2013 would have increased equity by QAR 23 million (2012: QAR 43 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

	2013	2012
Increase / (decrease) in other comprehensive income:		
Qatar Exchange	**2,282**	9,229
Bombay Stock Exchange	**20,276**	29,511
Abu Dhabi Securities Exchange	**682**	4,128

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.

(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.

4. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management (continued)

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

The Group's regulatory capital position under Basel II and QCB regulations after deduction of investment in associates at 31 December was as follows:

Figures in thousand Qatar Riyals

	2013	2012
Tier 1 capital	11,947,947	10,346,812
Tier 2 capital	1,430,355	1,075,982
Total regulatory capital	**13,378,302**	11,422,794

Tier I capital includes share capital, legal reserve, general reserve, other reserves, retained earnings and instrument eligible for additional capital including current year profit and excluding proposed cash dividend.

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

Risk weighted assets and carrying amounts

Figures in thousand Qatar Riyals

	2013 Basel II Risk weighted amount	2012 Basel II Risk weighted amount	**2013 Carrying amount**	2012 Carrying amount
Cash and balances with central bank	-	-	6,902,547	3,448,128
Due from banks	7,645,211	4,749,160	15,177,969	9,731,562
Loans and advances to customers	58,209,277	40,373,111	66,862,544	48,594,475
Investment securities	1,317,584	1,562,099	14,706,294	11,162,179
Investment in associates	14,032	12,754	4,198,469	4,054,157
Other assets	5,264,042	3,047,251	5,264,042	3,047,251
Off balance sheet items	12,627,272	8,781,018	65,702,282	33,182,250
Total risk weighted assets for credit risk	85,077,418	58,525,393	-	-
Risk weighted assets for market risk	4,416,124	3,115,549	-	-
Risk weighted assets for operational risk	5,641,578	5,446,593	-	-
	95,135,120	67,087,535		

	2013	2012
Risk weighted assets	95,135,120	67,087,535
Regulatory capital	13,378,302	11,422,794
Risk weighted assets as a percentage of regulatory capital (Capital ratio)	14.1%	17.0%

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

Notes to the Consolidated Financial Statements Continued

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 reason able under the circumstances.

(i) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis 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 Group 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 Group 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.

(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 input to these models is 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.

(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 3 (c) v.ii.
The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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 2013
	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**

			31 December 2012
	Level 1	Level 2	Carrying amount
Derivative assets	-	431,202	431,202
Investment securities	431,268	7,064,489	7,948,351
	431,268	7,495,691	8,379,553
Derivative liabilities	-	349,958	349,958
	-	349,958	349,958

All unquoted available for sale equities and investment funds are recorded at fair value except for investments with a carrying value of QR 344 million (2012: QR 453 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 year 2013 and 2012.

(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.

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)

(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.

(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.

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 acquired Abank during this year and 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.

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, and Asteco Qatar L.L.C., Gekko 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 2013							
Net interest income	1,242,706	635,684	1,878,390	311,893	2,663	(4,587)	**2,188,359**
Net fee,commission and other 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, Liabilities: QAR 660 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 2012							
Net interest income	1,358,356	510,739	1,869,095	-	2,640	(5,481)	1,866,254
Net fee, commission and other income	814,354	259,443	1,073,797	-	6,261	37,679	1,117,737
Segmental revenue	2,172,710	770,182	2,942,892	-	8,901	32,198	2,983,991
Impairment loss on investment securities	(61,917)	-	(61,917)	-	-	-	(61,917)
Net impairment loss on loans and advances to customers	(130,438)	(9,839)	(140,277)	-	333	-	(139,944)
Segmental profit			1,761,677	-	(6,789)	(1,140)	1,753,748
Share of results of associates							258,546
Net profit for the year							2,012,294
Other information							
Assets	61,018,542	12,058,948	73,077,490	-	288,499	2,617,606	75,983,595
Investments in associates	-	-	-	-	-	-	4,054,157
Liabilities	52,970,660	11,948,655	64,919,315	-	22,528	156,531	65,098,374
Contingent items	23,868,360	1,047,703	24,916,063	-	-	-	24,916,063

Intra-group transactions are eliminated from this segmental information (Assets: QAR 451 million, Liabilities: QAR 279 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 2013							
Cash and balances with central banks	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
Investment 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 all 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	16,282,225	-	272,870	-	-	-	16,555,095
Total liabilities and equity	**65,039,707**	**14,062,594**	**19,489,787**	**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**

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 2012							
Cash and balances with central bank	3,448,123	-	-	-	-	5	3,448,128
Due from banks	3,991,495	2,562,195	273,014	1,736,213	355,908	812,737	9,731,562
Loans and advances to customers	45,352,295	2,281,335	145,600	391,915	101	423,229	48,594,475
Investments securities	8,561,202	1,216,352	33,091	278,382	477,123	596,029	11,162,179
Investment in associates	12,753	4,041,404	-	-	-	-	4,054,157
Property and equipment and other assets	2,592,603	169,627	341	280,456	968	3,256	3,047,251
Total assets	63,958,471	10,270,913	452,046	2,686,966	834,100	1,835,256	80,037,752
Due to banks	2,389,733	5,256,060	1,068,976	993,159	78,125	69,629	9,855,682
Customer deposits	31,415,646	3,997,243	68,868	3,020,845	340	2,882,604	41,385,546
Debt securities	-	-	-	8,705,816	-	-	8,705,816
Other borrowings	-	2,744,235	-	363,727	-	363,553	3,471,515
Other liabilities	1,318,358	172,106	626	182,838	12	5,875	1,679,815
Equity	14,939,378	-	-	-	-	-	14,939,378
Total liabilities and equity	50,063,115	12,169,644	1,138,470	13,266,385	78,477	3,321,661	80,037,752

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 2012							
Net interest income	1,894,399	26,028	(875)	(32,985)	8,649	(28,962)	1,866,254
Net Fee, commission and other income	1,045,008	50,837	1,378	4,447	5,213	10,854	1,117,737
Net operating income	2,939,407	76,865	503	(28,538)	13,862	(18,108)	2,983,991
Staff cost	(489,036)	-	-	-	-	(10,346)	(499,382)
Depreciation	(121,604)	-	-	-	-	(344)	(121,948)
Impairment loss on investment securities	(6,994)	(8,191)	-	(1,174)	(14,871)	(30,687)	(61,917)
Net impairment loss on loans and advances to customers	(140,277)	333	-	-	-	-	(139,944)
Other expenses	(407,401)	-	-	-	-	349	(407,052)
Profit before share of results of associates	1,774,095	69,007	503	(29,712)	(1,009)	(59,136)	1,753,748
Share of results of associates	1,278	257,268	-	-	-	-	258,546
Net profit for the year	1,775,373	326,275	503	(29,712)	(1,009)	(59,136)	2,012,294

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 profit or loss	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 banks	-	-	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**

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 924 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 profit or loss	Held-to-maturity	Loans and receivables (at amortised cost)	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
31 December 2012							
Cash and balances with central bank	-	-	3,448,128	-	-	3,448,128	3,448,128
Due from banks	-	-	9,731,562	-	-	9,731,562	9,731,562
Derivative assets	431,202	-	-	-	-	431,202	431,202
Loans and advances to customers	-	-	48,594,475	-	-	48,594,475	48,594,475
Investment securities:							
Measured at fair value	57,264	-	-	7,891,087	-	7,948,351	7,948,351
Measured at amortised cost	-	3,213,828	-	-	-	3,213,828	3,845,395
	488,466	3,213,828	61,774,165	7,891,087	-	73,367,546	73,999,113
Derivative liabilities	349,958	-	-	-	-	349,958	349,958
Due to banks	-	-	-	-	9,849,098	9,849,098	9,849,098
Customer deposits	-	-	-	-	41,385,546	41,385,546	41,385,546
Debt securities	-	-	-	-	8,705,816	8,705,816	9,550,448
Other borrowings	-	-	-	-	3,471,515	3,471,515	3,471,515
	349,958	-	-	-	63,411,975	63,761,933	64,606,565

8. CASH AND BALANCES WITH CENTRAL BANKS

Figures in thousand Qatar Riyals

	2013	2012
Cash	620,705	423,774
Cash reserve with central banks *	3,927,777	1,990,633
Other balances with central banks	2,354,065	1,033,721
	6,902,547	3,448,128

*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

	2013	2012
Current accounts	1,096,426	80,230
Placements	12,144,894	8,866,816
Loans to banks	1,936,649	784,516
	15,177,969	9,731,562

10. LOANS AND ADVANCES TO CUSTOMERS

a) By type

Figures in thousand Qatar Riyals

	2013	2012
Loans	65,531,930	46,996,364
Overdrafts	2,288,460	1,861,600
Bills discounted	302,626	278,533
Bankers acceptances	397,061	285,442
	68,520,077	49,421,939
Deferred profit	(85,652)	(200,652)
Specific impairment of loans and advances to customers	(1,072,298)	(359,992)
Collective impairment allowance	(499,583)	(266,820)
Net loans and advances to customers*	**66,862,544**	48,594,475

*The aggregate amount of non-performing loans and advances to customers amounted QAR 2,496 million which represents 3.65% of total loans and advances to customers (2012: QAR 539 million, 1.09% of total loans and advances to customers).

Specific impairment of loans and advances to customers includes QAR 173 million of interest in suspense (2012: QAR 98 million).

Note: By internal business segment

Figures in thousand Qatar Riyals

	2013	2012
Government and related agencies	7,314,779	7,694,409
Wholesale	45,437,856	29,488,574
Retail	14,109,909	11,411,492
Net loans and advances to customers	**66,862,544**	48,594,475

b) By sector

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 impairment allowance					(1,072,298)
Collective impairment allowance					(499,583)
					(1,657,533)
Net loans and advances to customers					**66,862,544**

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 2012	Loans	Overdrafts	Bills discounted	Bankers acceptances	Total
Government and related agencies	7,302,564	391,845	-	-	7,694,409
Non-banking financial institutions	1,016,820	3,188	-	-	1,020,008
Industry	1,308,807	97,589	-	4,481	1,410,877
Commercial	6,536,611	148,404	47,254	176,914	6,909,183
Services	4,697,202	172,192	16,150	26,250	4,911,794
Contracting	3,432,568	278,541	72,648	77,648	3,861,405
Real Estate	15,868,596	111,287	136,139	-	16,116,022
Personal	6,577,536	657,527	6,342	-	7,241,405
Others	255,660	1,027	-	149	256,836
	46,996,364	1,861,600	278,533	285,442	49,421,939
Less: Deferred Profit					(200,652)
Specific impairment allowance					(359,992)
Collective impairment allowance					(266,820)
					(827,464)
Net loans and advances to customers					48,594,475

c) Movement in impairment loss on loans and advances to customers

Figures in thousand Qatar Riyals

	2013	2012
Balance at 1 January	626,812	547,402
Acquisition of subsidiary	457,325	-
Allowance made during the year	736,081	283,326
Recoveries during the year	(53,328)	(113,785)
Net allowance for impairment during the year *	682,753	169,541
Written off during the year	(137,202)	(90,131)
Exchange differences	(57,807)	-
Balance at 31 December	**1,571,881**	626,812

*This includes net interest suspended during the year QAR 78.8 million (2012: QAR 30 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 2013	620,385	-	6,427	626,812
Acquisition 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**

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	Other Subsidiaries	Total
Balance at 1 January 2012	376,752	170,650	547,402
Allowance made during the year	221,036	62,290	283,326
Recoveries during the year	(80,166)	(33,619)	(113,785)
Written off during the year	(83,151)	(6,980)	(90,131)
Balance at 31 December 2012	434,471	192,341	626,812

11. INVESTMENT SECURITIES

Investment securities as at 31 December 2013 totaled QAR 14,706,294 (2012: QAR 11,162,179). The analysis of investment securities is detailed below:

Figures in thousand Qatar Riyals

	2013	2012
Available-for-sale	14,518,201	7,891,087
Held to maturity	-	3,213,828
Investment securities designated at fair value through income statement	188,093	57,264
Total	**14,706,294**	11,162,179

The carrying value of investments securities pledged under Repurchase agreements (REPO) is QAR 4,842 million (2012:QAR 1,968 million)

As result of the sale on 6 June 2013 of one of the securities in the "Held to Maturity" (HTM) investment portfolio by the Group, the remainder of the portfolio was reclassified to the "Available for Sale" (AFS) category in line with IFRS requirements. At 30 June 2013 the carrying amount of QAR 2,611 million, previously held in HTM by the Group has been transferred to AFS at fair value of QAR 2,641 million and the resulting gain of QAR 30 million has been transferred to the fair value reserve in Equity.

a) Available-for-sale

Figures in thousand Qatar Riyals

	2013		2012	
	Quoted	**Unquoted**	Quoted	Unquoted
Equities	276,697	273,797	427,876	386,284
State of Qatar debt securities	1,831,201	6,989,720	2,926,400	2,020,060
Debt and other securities*	4,556,323	239,391	1,584,123	208,602
Investment funds	81,111	269,961	-	337,742
Total	**6,745,332**	**7,772,869**	4,938,399	2,952,688

* Fixed rate securities and floating rate securities amounted to QAR 3,213 million and QAR 1,582 million respectively (2012: QAR 1,523 million and QAR 270 million respectively).

Notes to the Consolidated Financial Statements Continued

11. INVESTMENT SECURITIES (continued)

b) Held to maturity

Figures in thousand Qatar Riyals

	2013 Quoted	2013 Unquoted	2012 Quoted	2012 Unquoted
- By issuer				
State of Qatar debt securities	-	-	740,698	2,358,377
Other debt securities	-	-	-	114,753
Total	**-**	**-**	740,698	2,473,130
- By interest rate				
Fixed rate securities	-	-	740,698	2,358,377
Floating rate securities	-	-	-	114,753
Total	**-**	**-**	740,698	2,473,130

c) Investment securities designated at fair value through income statement

Figures in thousand Qatar Riyals

	2013	2012
Debt securities	188,093	57,264
Balance at 31 December	**188,093**	57,264

d) Movement in impairment loss on investment debt securities

Figures in thousand Qatar Riyals

	2013	2012
Balance at 1 January	202,126	260,842
Allowance for impairment during the year	4,458	1,344
Recoveries during the year	(8,524)	(23,660)
Write-off during the year	(72,639)	(36,400)
Balance at 31 December *	**125,421**	202,126

*Further breakup as follows:

Figures in thousand Qatar Riyals

	2013	2012
Available-for-sale – debt securities	125,421	91,443
Held to maturity	-	110,683
	125,421	202,126

The Group has also taken impairment loss for investments in equities and funds during the year totalling QAR 105.5 million (2012: QAR 60.6 million).

12. INVESTMENTS IN ASSOCIATES

Figures in thousand Qatar Riyals

	2013	2012
Balance at 1 January	4,054,157	3,926,480
Share of results	324,933	258,546
Cash dividend	(162,697)	(141,398)
Other movements	(17,924)	10,529
Balance at 31 December	**4,198,469**	4,054,157

12. INVESTMENTS IN ASSOCIATES (continued)

Figures in thousand Qatar Riyals

Name of the Company	Amount 2013	2012	Country	Company's Activities	Ownership % 2013	2012
National Bank of Oman SAOG ('NBO')	**1,676,582**	1,604,243	Oman	Banking	**34.9%**	34.9%
United Arab Bank PJSC ('UAB')	**2,504,711**	2,435,883	UAE	Banking	**40%**	40%
Asteco LLC	**1,687**	1,906	Qatar	Facilities management	**30%**	30%
Gekko LLC*	**-**	-	Qatar	Electronic payment infrastructure	**50%**	50%
Massoun Insurance Services LLC	**15,489**	12,125	Qatar	Insurance brokerage	**50%**	50%

The summarised financial position and results of associates as at the end of reporting period are as follows:

Figures in thousand Qatar Riyals

	2013	2012
Total assets	48,764,697	38,900,140
Total liabilities	43,160,137	33,757,868
Operating income	2,020,035	1,698,430
Net profit	944,542	788,827
Total comprehensive income	895,718	819,005
Share of results	**324,933**	258,546

Shares of National Bank of Oman SAOG are listed on the Muscat Securities Market, having a market value of QAR 1,177 million as at 31 December 2013 (31 December 2012: QAR 1,042 million).

Shares of United Arab Bank PJSC are listed on the Abu Dhabi Securities Market, having a market value of QAR 2,547 million as at 31 December 2013 (31 December 2012: QAR 1,216 million).

*The Group is in the process of liquidating Gekko LLC and the liquidation process is expected to be completed by 2014.

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 2012	810,696	70,339	611,542	6,718	187,960	1,687,255
Acquisitions / transfers	149,518	18,863	64,620	981	14,708	248,690
Disposals	(1,540)	(1,460)	-	(1,495)	-	(4,495)
Balance at 31 December 2012	958,674	87,742	676,162	6,204	202,668	1,931,450
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**

Notes to the Consolidated Financial Statements Continued

13. PROPERTY AND EQUIPMENT (continued)

Figures in thousand Qatar Riyals

	Land and buildings	Leasehold improvements	Furniture and equipment	Motor vehicles	Capital Work in Progress	Total
Accumulated depreciation						
Balance at 1 January 2012	165,672	58,690	386,656	5,909	-	616,927
Depreciation for the year	28,906	7,970	84,513	559	-	121,948
Disposals	(1,540)	(1,460)	-	(1,494)	-	(4,494)
Balance at 31 December 2012	193,038	65,200	471,169	4,974	-	734,381
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
Exchange Differences	-	(5,135)	(8,437)	(18)	-	(13,590)
Balance at 31 December 2013	**226,930**	**120,994**	**636,593**	**5,511**	**-**	**990,028**
Net carrying amounts						
Balance at 31 December 2012	765,636	22,542	204,993	1,230	202,668	1,197,069
Balance at 31 December 2013	**797,430**	**38,659**	**246,640**	**1,208**	**199,249**	**1,283,186**

14. INTANGIBLE ASSETS

Figures in thousand Qatar Riyals

	Goodwill	Brand	Customer Relationship	Internally Core Deposit	Developed Software	Total
Cost						
Acquisition 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**
Amortisation						
Amortisation during the year	-	3,111	-	-	141	3,252
Acquisition of subsidiary	-	62,964	-	-	8,862	71,826
Impaired during the year	-	-	-	-	-	-
Exchange difference	-	(6,606)	-	-	(905)	(7,511)
Balance at 31 December 2013	**-**	**59,469**	**-**	**-**	**8,098**	**67,567**
Net Book Value						
31 December 2013	**449,465**	**56,990**	**381,521**	**102,639**	**5,871**	**996,486**
31 December 2012	-	-	-	-	-	-

15. OTHER ASSETS

Figures in thousand Qatar Riyals

	2013	2012
Interest receivable and accrued income	719,639	321,698
Prepaid expenses	73,036	32,068
Accounts receivable	265,145	128,715
Repossessed collateral*	883,614	856,093
Positive fair value of derivatives (Note 36)	580,176	431,202
Clearing cheques	181,811	30,691
Others	280,949	49,715
	2,984,370	1,850,182

* 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

	2013	2012
Balances due to central banks	72,801	16,380
Current accounts	354,727	583,485
Placements with banks	7,762,710	7,507,255
Repurchase agreements with banks	4,408,972	1,748,562
	12,599,210	9,855,682

17. CUSTOMER DEPOSITS

Figures in thousand Qatar Riyals

	2013	2012
a) By type		
Current and call deposits	15,463,734	14,845,171
Saving deposits	3,754,381	3,692,906
Time deposits	44,201,816	22,847,469
	63,419,931	41,385,546
b) By sector		
Government	10,699,122	3,250,755
Government and semi government agencies	10,154,165	6,509,328
Individuals	18,152,246	11,756,110
Corporate	16,898,152	14,385,014
Non-banking financial institutions	7,516,246	5,484,339
	63,419,931	41,385,546

Notes to the Consolidated Financial Statements Continued

18. DEBT SECURITIES

EMTN Programme – Senior unsecured notes: On 11 April 2012, the Commercial Bank of Qatar, through CBQ Finance Limited, a wholly-owned subsidiary, completed an issuance of US$ 500 million (or QAR 1,820 million) five year senior unsecured fixed rate notes under its US$ 5 billion European Medium Term Note ("EMTN") Programme that it established in 2011. The notes carry a fixed coupon of 3.375% per annum 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 2013 was QAR 1.88 billion (2012: QAR 1.89 billion).

Senior and Subordinated Notes: On 18 November 2009, the Commercial Bank of Qatar, through CBQ Finance Limited, a wholly-owned subsidiary, completed the issuance of the following notes:

- **Senior Notes:** US$ 1,000 million or QAR 3,640 million five-year Senior Notes paying a fixed coupon of 5.00% per annum. Interest is payable semi-annually in arrears and the principal is payable in full at maturity of five years. The estimated fair value of the Senior Notes as at 31 December 2013 was QAR 3.77 billion (2012: QAR 3.85 billion).

- **Subordinated Notes:** 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 2013 was QAR 2.57 billion (2012: QAR 2.68 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

	2013	2012
EMTN Programme – Senior notes	1,801,099	1,796,024
Senior Notes*	4,120,453	3,623,332
Subordinated Notes*	2,695,444	2,155,929
CHF Fixed Rate Bonds	1,142,671	1,130,531
Total	**9,759,667**	8,705,816

* Debt Securities includes QAR 488 million of Senior notes and QAR 536 million Subordinated notes of Abank.

Movements in debt securities are analysed as follows:

Figures in thousand Qatar Riyals

	2013	2012
Balance at beginning of the year	8,705,816	6,871,674
Acquisiton of subsidiary	1,187,861	-
Additions	515,870	1,791,934
Repayments	(563,265)	-
Fair value adjustment	11,815	26,565
Amortisation of discount and transaction cost	17,298	15,643
Exchange difference	(115,728)	-
Balance at 31 December	**9,759,667**	8,705,816

18. DEBT SECURITIES (continued)

The table below shows the maturity profile of debt securities:

Figures in thousand Qatar Riyals

	2013	2012
Up to 1 year	4,034,434	-
Between 1 and 3 years	1,228,691	4,753,863
Over 3 years	4,496,542	3,951,953
Balance at 31 December	**9,759,667**	8,705,816

19. OTHER BORROWINGS

Figures in thousand Qatar Riyals

	2013	2012
Bilateral loans (a)	1,455,945	1,818,345
Club loan (b)	1,655,959	1,653,170
Others (c)	4,233,813	-
Total	**7,345,717**	3,471,515

Notes:

a) Bilateral loans: The Bank has entered into certain bi-lateral loan agreements amounting to US$ 400 Million (QAR 1,456 million) in 2013 and repaid an old loan on maturity in 2013.

(b) The Bank established a Club term loan facility on 6 February 2012 for US$ 455 million (QAR 1,656 million) with a group of international banks.

c) This represents the syndicated loan and other borrowings of acquired subsidiary -Abank.

Figures in thousand Qatar Riyals

	2013	2012
Movements in other borrowings are as follows:		
Balance at beginning of the year	3,471,515	4,182,412
Addition for acquisition of subsidiary	2,481,462	-
Additions to borrowings	4,025,379	1,650,219
Repayments	(2,407,427)	(2,366,000)
Fair value adjustment on consolidation of ABank	186,294	-
Amortisation of discount and transaction cost	4,444	4,884
Exchange difference	(415,950)	-
Balance at 31 December	**7,345,717**	3,471,515

The table below shows the maturity profile of other borrowings:

Figures in thousand Qatar Riyals

	2013	2012
Up to 1 year	6,234,715	1,818,345
Between 1 and 3 years	516,162	1,653,170
Over 3 years	594,840	
Balance at 31 December	**7,345,717**	3,471,515

Notes to the Consolidated Financial Statements Continued

20. OTHER LIABILITIES

Figures in thousand Qatar Riyals

	2013	2012
Interest payable	153,668	163,502
Accrued expense payable	174,628	50,719
Other provisions (Note i)	177,940	143,694
Negative fair value of derivatives (Note 36)	387,143	349,958
Unearned income	68,814	80,304
Cash margins	184,373	138,119
Accounts payable	352,552	286,304
Directors' remuneration	18,000	40,500
Social responsibility fund	-	225
Social & Sports Activities Support Fund ("Daam") (Note 23)	40,135	50,307
Dividend payable	18,843	11,957
Managers' cheque and payment order	58,336	22,060
Unclaimed balances	10,149	7,896
Due for trade acceptances	299,831	285,442
NCI – put option fair value	512,761	-
Deferred tax liabilities	168,280	-
Income tax payable	27,198	-
Others	779,594	48,828
Total	**3,432,245**	1,679,815

(i) Other provisions

Figures in thousand Qatar Riyals

	Provident fund (a)	Pension fund (b)	Total 2013	Total 2012
Balance at 1 January	142,103	1,591	143,694	137,504
Acquisition of subsidiary	8,538	-	8,538	-
Provisions made during the year	26,618	7,760	34,378	14,879
Earnings of the fund	4,579	-	4,579	4,114
Provident fund – staff contribution	7,641	3,945	11,586	10,858
Transferred to state retirement fund authority	-	(11,552)	(11,552)	(11,469)
Payments during the year	(12,390)	-	(12,390)	(12,192)
Exchange Difference	(893)	-	(893)	-
Balance at 31 December	**176,196**	**1,744**	**177,940**	143,694

(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 2,474,463,720 (2012: QAR 2,474,463,720) divided into 247,446,372 (2012: 247,446,372) ordinary shares of QAR 10 each.

	Ordinary shares	
In thousands of shares	**2013**	2012
On issue at the beginning of the reporting period	247,446	247,446
New shares issued	-	-
On issue at 31 December	**247,446**	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

In accordance with Qatar Central Bank's Law No. 33 of 2006 as amended, 10% of the net profit for the year is required to be transferred to legal reserve until the legal reserve equals 100% of the paid up capital. This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies' Law No. 5 of 2002 and is subject to the approval of QCB. Amount transferred to legal reserve during the year related to newly acquired subsidiary Abank.

(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% (31 December 2012: 2.0%) 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, total amount of transfer made to the risk reserve was QAR 392 million (2012: QAR 119.0 million), Transferred amount does not include a risk reserve requirement for Abank lending as allowed by the QCB at the Group's request.

(e) Fair value reserves

The fair value reserve arises from the revaluation of the available-for-sale investments, change of post acquisition fair value reserve of its associates and exchange gain or loss on consolidation of subsidiaries.

(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

	2013	2012
Balance as at 1 January	673,604	556,456
Share of result of associates	324,933	258,546
Dividend from associates transferred to retained earnings	(162,697)	(141,398)
Net movement	162,236	117,148
Balance as at 31 December	**835,840**	673,604

(g) Proposed cash dividend and bonus shares

The Board of Directors has proposed a cash dividend of 20% (or QAR 2 per share) for the year 2013. The Board of Directors have also proposed a bonus share issue of 20% of the Bank's capital as at 31st December 2013 (2012: nil). These proposals are subject to approval at the Annual General Assembly.

Notes to the Consolidated Financial Statements Continued

21. EQUITY (continued)

(h) Dividends paid

During the year, the shareholders received a dividend of QAR 6 per share totalling QAR 1.48 billion in respect of the year ended 31 December 2012 (2012: QAR 6 per share totalling QAR 1.48 billion in respect of the year ended 31 December 2011).

(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. This note have been classified under equity.

22. OTHER COMPREHENSIVE INCOME

Figures in thousand Qatar Riyals

	2013	2012
Available-for-sale investments:		
Positive change in fair value	111,254	362,267
Negative change in fair value	(307,898)	(4,966)
Net change in fair value	(196,644)	357,301
Net amount transferred to profit or loss	(95,182)	(136,245)
	(291,826)	221,056
Foreign currency translation differences for foreign operation	(232,988)	-
Share of other comprehensive income of investments in associates	(17,924)	10,717
Total other comprehensive income	**(542,738)**	231,773

23. CONTRIBUTION TO SOCIAL AND SPORTS ACTIVITIES SUPPORT FUND ("DAAM")

Pursuant to Law No. 13 of 2008, the Bank made an appropriation of 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 2013.

24. INTEREST INCOME

Figures in thousand Qatar Riyals

	2013	2012
Amounts deposited with central banks	6,497	7,288
Amounts deposited with banks	99,955	56,586
Debt securities	591,425	521,665
Loans and advances to customers	2,909,269	2,312,654
	3,607,146	2,898,193

25. INTEREST EXPENSE

Figures in thousand Qatar Riyals

	2013	2012
Amount deposited by banks	143,096	49,952
Customer deposits	697,953	476,811
Other borrowings	101,709	68,602
Debt securities	476,029	436,574
	1,418,787	1,031,939

26. FEE AND COMMISSION INCOME

Figures in thousand Qatar Riyals

	2013	2012
Loans and financing advisory service	427,449	280,596
Credit and debit card fees	123,130	241,954
Indirect credit facilities	236,729	120,324
Banking and other operations	45,480	26,401
Investment activities for customers	19,685	19,816
	852,473	689,091

27. FEE AND COMMISSION EXPENSE

Figures in thousand Qatar Riyals

	2013	2012
Brokerage services	3,121	994
Credit and debit card fees	148,661	155,043
Others	25,101	14,450
	176,883	170,487

28. NET FOREIGN EXCHANGE GAIN

Figures in thousand Qatar Riyals

	2013	2012
Dealing in foreign currencies	534,599	137,430
Revaluation of assets and liabilities	(355,211)	18,133
	179,388	155,563

29. INCOME FROM INVESTMENT SECURITIES

Figures in thousand Qatar Riyals

	2013	2012
Net gain on disposal of available –for-sale securities	193,450	337,161
Gain on investment securities at fair value through profit or loss	(2,770)	2,664
Dividend income	18,854	26,147
	209,534	365,972

Notes to the Consolidated Financial Statements Continued

30. OTHER OPERATING INCOME

Figures in thousand Qatar Riyals

	2013	2012
Rental income	41,465	30,522
Gain on sale of property and equipment and other income	135,606	47,076
Management fees from associates	3,954	-
	181,025	77,598

31. STAFF COSTS

Figures in thousand Qatar Riyals

	2013	2012
Staff costs	633,941	465,134
Staff provident fund and pension fund cost (Note 20 (i))	34,378	14,879
Training	16,381	19,369
	684,700	499,382

32. OTHER EXPENSES

Figures in thousand Qatar Riyals

	2013	2012
Marketing and advertisement	93,643	61,615
Professional fees	110,940	74,055
Communication, utilities and insurance	56,701	39,183
Board of Directors' remuneration and meeting attendance fees	20,490	42,720
Occupancy, IT consumables and maintenance	75,770	91,272
Printing and stationary	8,123	8,703
Travel and entertainment costs	8,515	3,324
Outsourcing service costs	72,851	64,762
Others	161,709	21,418
	608,742	407,052

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

	2013	2012
Profit for the year attributable to the equity holders of the Bank	1,604,485	2,012,294
Weighted average number of outstanding shares in thousands	247,446	247,446
Basic/diluted earnings per share (QAR)	**6.48**	8.13

34. CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Figures in thousand Qatar Riyals

		2013	2012
a)	**Contingent liabilities**		
	Unutilised credit facilities	7,980,374	5,326,125
	Guarantees	18,569,021	12,048,098
	Letters of credit	5,408,175	7,541,840
	Total	**31,957,570**	24,916,063
b)	**Other commitments**		
	Forward foreign exchange contracts and derivatives at notional value	33,744,712	8,266,187
	Capital commitments	488,504	393,822
	Total	**34,233,216**	8,660,009

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

	2013	2012
Less than one year	25,342	7,108
Between one and five years	12,029	23,311
More than five years	1,442	1,498
	38,813	31,917

35. CASH AND CASH EQUIVALENTS

Figures in thousand Qatar Riyals

	2013	2012
Cash and balances with Central Banks *	2,974,770	1,457,495
Due from banks up to 90 days	11,889,904	7,353,090
Due to banks up to 90 days	(8,653,372)	(8,107,120)
	6,211,302	703,465

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

Notes to the Consolidated Financial Statements Continued

36. DERIVATIVES

Figures in thousand Qatar Riyals

	Positive fair value	Negative fair value	Notional amount	Notional / expected amount by term to maturity: within 3 months	3 - 12 months	1-5 years	More than 5 years
At 31 December 2013:							
Derivatives held for trading:							
Forward foreign exchange contracts and interest rate swaps	466,188	387,143	32,715,406	22,104,951	7,540,784	357,475	2,712,196
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**
At 31 December 2012:							
Derivatives held for trading:							
Forward foreign exchange contracts and interest rate swaps	329,028	349,958	7,236,881	4,174,795	39,809	2,064,757	957,520
Derivatives held for fair value hedges:							
Cross currency interest rate swaps	102,174	-	1,029,306	-	-	1,029,306	-
Total	431,202	349,958	8,266,187	4,174,795	39,809	3,094,063	957,520

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 189 million (2012: QAR 191 million) worth of international investment securities on behalf of its customers. Out of this amount, investment securities with a value of QAR 135 million equivalent to USD 37 million (2012: QAR 152 million equivalent to USD 42 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

	2013	2012
Board members		
- Loans, advances and financing activities (a)	2,143,286	2,604,579
- Deposits	416,133	331,283
- Contingent liabilities, guarantees and other commitments	33,481	29,507
- Interest income earned from facilities granted to board members	12,292	27,739
- Other fee income earned from transactions with board members	1,268	387
- Interest paid on deposits accounts of board members	10,306	10,788
- Remuneration, meeting attendance fees and salaries paid to board members	23,850	46,080
Associated companies		
- NBO's deposit with the Group	347,491	329,478
- Bank's deposit with NBO	748	91,533
- NBO's contingent liabilities to the Group:		
- Letter of Guarantee	7,806	10,575
- Letter of Credit	131	
- Un-utilized credit facilities	728,000	254,800
- UAB's deposit with the Group	135,013	101,075
- Bank's deposit with UAB	363,981	364,987
- UAB's contingent liabilities to the Group:		
- Letter of Guarantee	21,940	27,850
- Letter of Credit	-	5,470
- Asteco's deposit with the Group	5,049	5,439
- GEKKO's deposit with the Group	126	126
- Massoun's deposit with the Group	21,756	19,317
- Interest earned from Associates	776	1,918
- Interest paid to Associates	357	368
Senior management compensation/Transaction		
- Fixed remuneration	61,343	43,415
- Discretionary remuneration	26,344	21,980
- Fringe benefits	4,242	4,884
- Loans and advances (b)	20,820	24,004

(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. 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. BUSINESS COMBINATION

On 18 July 2013, the Group acquired 70.84% of the ordinary shares and voting interest in Alternatifbank A.S. ("ABank") and obtained control of ABank. Further, on 27 September 2013, the Group acquired an additional equity interest of 3.40%, increasing the total equity interest in ABank from 70.84% to 74.24%. The acquisition was accounted for using the acquisition method of accounting.

The acquisition is an important step in the Bank's strategy to expand its footprint in retail and corporate banking outside the Gulf Cooperation Council (GCC) region and provides a suitable entry point into a key strategic market with strong growth prospects and a fast-expanding banking sector.

Notes to the Consolidated Financial Statements Continued

39. BUSINESS COMBINATION (continued)

During the period following the acquisition to 31 December 2013, ABank has contributed net operating income of QAR 445.37 million and net profit of QAR 8.84 million to the Group results. Management estimates that if the acquisition had occurred on 1 January 2013, then consolidated net operating income and consolidated net profit of the Group for the 12 months ended 31 December 2013 would have been QAR 3.9 billion and QAR 1.7 billion respectively. In determining these amounts, management has assumed that the provisional fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 January 2013.

The assets and liabilities acquired are required to be measured at their acquisition-date fair values.

Figures in thousand Qatar Riyals

	Fair Value
Consideration	
Cash paid	1,697,037
Hedge cost	93,513
	1,790,550
Non-controlling interest	599,052
	2,389,602
Fair value of identifiable assets and liabilities	
Cash and balances with central bank	1,663,902
Due from banks	206,640
Loans and advances to customers	11,368,640
Investment securities	3,039,828
Intangible assets	603,167
Property and equipment's	44,703
Other assets	257,232
Total Assets	**17,184,112**
Liabilities	
Due to banks	2,535,555
Customer deposits	8,064,262
Debt securities	656,007
Other borrowings	3,231,302
Other liabilities	712,834
Total Liabilities	**15,199,960**
Net fair value of identifiable assets and liabilities	**1,984,152**
Goodwill	**405,450**
Analysis of cash flows on acquisition	
Net cash acquired with the subsidiary	677,763
Cash paid	(1,790,550)
Net cash outflow	**(1,112,787)**

The goodwill is mainly attributable to expected synergies that will be achieved from combining ABank with the existing Group banking businesses as ABank has been identified as a cash generating unit. None of the goodwill recognised is expected to be deductable for tax purposes.

Intangible assets include customer relationship from commercial and retail loans, core deposits, brand name and internally developed software.

Other Equity - Put option

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 Bank

a. Statement of Financial Position – Parent Bank

Figures in thousand Qatar Riyals

As at 31 December	2013	2012
ASSETS		
Cash and balances with central bank	4,761,821	3,448,123
Due from banks	15,128,956	9,731,437
Loans and advances to customers	54,613,243	48,587,855
Investment securities	11,486,220	11,162,179
Investment in associates and subsidiaries	5,632,716	3,576,486
Property and equipment	1,223,509	1,195,396
Other assets	1,808,376	1,848,721
TOTAL ASSETS	**94,654,841**	79,550,197
LIABILITIES		
Due to banks	9,816,471	9,849,098
Customer deposits	55,285,405	41,574,595
Debt securities	8,734,929	8,705,816
Other borrowings	3,111,904	3,471,515
Other liabilities	2,232,518	1,672,784
TOTAL LIABILITIES	**79,181,227**	65,273,808
EQUITY		
Share capital	2,474,464	2,474,464
Legal reserve	8,740,365	8,740,365
Instrument eligible for additional capital	2,000,000	-
General reserve	26,500	26,500
Risk reserve	1,316,300	924,600
Fair value reserves	(40,529)	157,665
Other equity	(512,761)	-
Retained earnings	1,469,275	1,952,795
TOTAL EQUITY	**15,473,614**	14,276,389
TOTAL LIABILITIES AND EQUITY	**94,654,841**	79,550,197

Financial Statements of the Parent Bank Continued

b. Income Statement – Parent Bank

Figures in thousand Qatar Riyals

For the year ended 31 December	2013	2012
Interest income	2,900,659	2,897,119
Interest expense	(1,026,856)	(1,033,505)
Net interest income	**1,873,803**	1,863,614
Fee and commission income	741,917	684,060
Fee and commission expense	(160,257)	(169,365)
Net fee and commission income	**581,660**	514,695
Foreign exchange gain	161,406	155,484
Income from investment securities	253,923	365,972
Other operating income	105,268	75,325
Net operating income	**2,976,060**	2,975,090
Staff costs	(530,798)	(489,036)
Depreciation	(131,148)	(121,604)
Impairment loss on investment securities	(109,937)	(61,917)
Net impairment loss on loans and advances to customers	(460,429)	(140,277)
Other expenses	(473,453)	(407,401)
Profit before dividend income from associates	**1,270,295**	1,754,855
Dividend income from associates	162,697	141,398
Profit for the year	**1,432,992**	1,896,253

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Commercial Bank was incorporated in 1974, as Qatar's first private sector bank. Today, we offer a complete range of banking services, including: current and savings accounts, loans, credit cards, insurance, brokerage and investment services. We are committed to delivering excellent service and innovation that makes banking easy and gives you greater flexibility over the way you manage your money.

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