مصرف الريان

MASRAF AL RAYAN

ANNUAL REPORT 2014

**Honor is the reward
for what we give,
not what we receive.**

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His Highness
Sheikh Hamad Bin Khalifa Al-Thani
Father Emir

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

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

DR. HUSSAIN ALI AL-ABDULLA

Dear Shareholders,

On behalf of the members of the Board of Directors of Masraf Al Rayan, I am pleased to welcome you all to this meeting to present you the report for the year ended on 31st December, 2014.

Throughout 2014, your Board of Directors consciously stayed the course, following the same policies set by former panels, applying strategies proved successful over the recent years and preparing thoughtfully for any future obstacles and opportunities.

We continued to focus on achieving our set goals and broadening our footprint to harvest more success and establish positive indications that you all have seen throughout 2014 manifested within the periodic results announced consecutively during the year.

The 2014 financial statements speak volume for themselves, with growth in net profits during the period amounted to 17.6%, recording QAR 2 billion, while the non-performing loan (NPL) stood at only 0.09%, the lowest within the banking sector, reflecting a robust performance of our credit risk management policies and procedures

2014 saw growth in most activities; total assets reached QAR 80,094 million, an increase of 20.4% compared to 2013. Financing activities totalled QAR 57,907 million, a growth of 39.7%. Customer deposits up to QAR 62,571 million, an increase of 29.5%. Investment decreased by 10.6%, from QAR 16,565 million to QAR 14,804 million due to maturity of Government Sukuk amounting to QAR 5 billion. On the other hand, Shareholders' Equity, before distribution, reached QAR 11,353 million compared to QAR 10,523 million as of December 31 2013, a growth of 7.9%.

Masraf Al Rayan maintained a high return on assets ratio of 2.5% and return on Shareholders' Equity reached 18.31% compared to 16.92% at the end of year 2013. Earnings per share reached QAR 2.670 compared to QAR 2.270 at the end of year 2013, and the book value per share reached QAR 15.14. Capital adequacy ratio reached 18.36% using Basel-III standards compared to 20.55% on December 31 2013 based on Basel-II standards. Operational Efficiency ratio cost - income ratio is at 19.16% continues to be one of the best in the region.

At its meeting held on 26/1/2015, the Board of Directors recommended the dividend distribution of QAR 1.75 per share, or 17.5% of the paid-up capital and to transfer 20% of the 2014 net profit to the legal reserves instead of 10% as specified in Masraf Al Rayan's Articles of Associations.

Masraf Al Rayan, with due diligence, has continued to exert the necessary effort to expand geographically, exploring opportunities in the GCC, Central & East Asia and in Africa, hoping for this invested effort to yield value for Masraf Al Rayan's shareholders.

The acquisition process of Al Rayan Bank Plc. (Formally known as the Islamic Bank of Britain) was given our utmost attention, transforming it into a profitable organization in 2014 after 10 years of losses, with solid plans to increase its operational income further by 2015. We sufficiently clarified the reasons why we opted not to finalize the acquisition of the Bank in Libya, announcing the reasons to be security concerns for the safety of our staff and shareholders.

On the other hand, Masraf Al Rayan continued to develop new products and services to better serve its customers by offering quality and flexibility in line with the best international banking practices, especially technology-based services that are made to save effort and time, while continuing to provide top quality customer services through our network of branches and 62 ATMs.

Internally, Masraf Al Rayan continued to tailor more plans for its Qatari employees to prepare them as future leaders through undergoing an internationally accredited talent management program. The Bank's Qatarization ratio remains comfortably at the 30% level with plans to increase it further.

At the level of community involvement, Masraf Al Rayan heightened its leading role in sponsoring many sporting, social and humanitarian activities as a way to give back to the society.

I take immense pleasure on behalf of the Board of Directors to extend our most profound gratitude and appreciation to His Highness Sheikh Tamim Bin Hamad Al Thani, The Emir of the State of Qatar, for his far-sighted vision and directives to guide the success of the economy of the State of Qatar which grew by 6.3% in 2014. I would also like to thank His Excellency Sheikh Abdullah Bin Saud Al Thani, the Governor of Qatar Central Bank and His Excellency Sheikh Fahad Bin Faisal Al-Thani, Deputy Governor of Qatar Central Bank for their support of the banking sector and for their role in maintaining and safeguarding the financial stability of the State of Qatar.

Further, I would like to extend our earnest appreciation to the executive management and employees of Masraf Al Rayan for their contribution in achieving these results.

In conclusion, I would like to assure our valued shareholders and customers that we have done and always will do our part in maintaining the position of Masraf Al Rayan as one of the leading prestigious banks in the State of Qatar and the region.

Assalamu AlIukum Wa Rahmato ALLAH.

MESSAGE FROM THE GROUP CHIEF EXECUTIVE OFFICER

ADEL MUSTAFAWI

Masraf Al Rayan, through the rigorous implementation of a thoughtful strategy set by its Board of Directors, has managed to sustain a leading position in and outside Qatar.

The 2014 financial statements have clearly manifested the rising performance trend of the bank's record year after year.

Masraf Al Rayan has broadened its operations; achieving net profits exceeding QAR 2 billion, where total assets increased to QAR 80,094, achieving a 20.4% growth rate.

Financing activities increased to QAR 57,907 million, with a growth rate of 39.7%.

Customers' Deposits also increased to reach QAR 62,571 million, a growth rate of 29.5%. Only investment activities decreased by 10.6%, due to maturity of Government Sukuk of QAR 5 billion, whereas shareholders Equity, before distribution, reached QAR 11,353 million as of December 31 2014, with a growth rate of 7.9%.

The financial indicators, mirrored the robust performance, the strength of Masraf Al Rayan overall portfolio and the firm work ethics and controls in accordance with best international standards.

The bank has maintained its leading position within the market, with a return on assets reaching 2.50%, whereas return on shareholders' equity reached 17.64%. Earnings per share reached QAR 2.67 compared to QAR 2.27 at the end of year 2013, while book value per share reached QAR 15.14. Capital adequacy ratio is at 18.36% using Basel-III standards compared to 20.55% on December 31 2013 based on Basel-II standards, where the operational Efficiency ratio (cost - income ratio) is at 19.16% continues to be one of the best in the region.

Financing activities to customers deposits ratio registered at 92.55% below the maximum ratio set by Qatar Central Bank of 100%, while, Non-Performing Loans (NPL) ratio is at 0.09%, again continues to be one of the lowest in the banking industry, reflecting a very strong and prudent credit risk management policies and procedures.

The recommendation of the Board of Directors to distribute a cash dividend of QAR 1.75 per share or 17.5% of the paid-up capital, has played well at the financial market, as in regard to the demand and share price.

Individual talent

We continued throughout 2014 to assign enormous resources for the development and improvement of each individual talent, especially young Qataris, through specialized management programs to prepare them for leadership positions within Masraf Al Rayan and also enable them with the necessary skills to provide top quality customer services in accordance with international best practices.

Social Responsibility

At the level of community involvement, Masraf Al Rayan expanded its role by sponsoring many events and supporting many activities that directly benefited individuals as they are the essential building blocks of our society.

In conclusion, I am pleased, on behalf of the Executive Management, to extend my thanks to the members of the Board of Directors for bestowing their trust in us to perform. I would also like to thank all employees who have excreted the necessary efforts a to make it happen time and again, hoping to continue our well planned journey to achieve the ambitions of our shareholders for years to come.

CORPORATE GOVERNANCE

Masraf Al Rayan continued to comply with the governance guidelines, as per the 2nd and 3rd articles of the Corporate Governance Guidelines for Listed Companies regulated by the 'Qatar Financial Markets Authority', as well as complying with the 'Qatar Central Bank' 'Corporate Governance Guidelines' for Banks and Financial Institution; all the while looking forward to achieving even more transparency and a higher level of client and shareholder trust.

LEADERSHIP IN MASRAF AL RAYAN

BOARD OF DIRECTORS

Dr. Hussain Ali Al Abdulla
Chairman & Managing Director

Dr. Thani Abdulrahman Al Kuwari
Vice Chairman

Dr. Menahi Khalid M. A. Al Hajri
Board Member

Mr. Turki Mohammed Al Khater
Board Member

Sheikh Faisal Bin Saud Al-Thani
Board Member

Sheikh Nasser Bin Hamad Bin Nasser Al Thani
Board Member

Mr. Abdulla Ahmed Al Maleki Al Jahni
Board Member

Mr. Khalaf Sultan Al Dhaheri
Board Member

Mr. Nasser Mohamed Al-Abdulla
Board Member

SENIOR MANAGEMENT

Adel Mustafawi
Group Chief Executive Officer

Ahmed Sheikh
Chief Operating Officer

Feizal Ali
CEO - Al Rayan Ventures

Mohammed Mursal
GM - Financial Controls

Syed Hasan
GM - Wholesale Banking Group

Mohamed Jama
GM - Chief Risk Officer

Pichu Chidambaram
AGM - IT Head

Hasan Al Hammadi
AGM - Treasury

Nasser Raaissi
AGM - HR and Admin

Abdelmonem Mohamed El Hasan
General Legal Counsel

Khalid Fakhroo
AGM - Engineering

Zakaria Glaoui
AGM - Private Banking & Branches

Howaida Al Mohannadi
AGM - Operations

Fawzi Siam
Executive Manager, Shari'a Audit

Dareer Mohammed
Compliance Manager

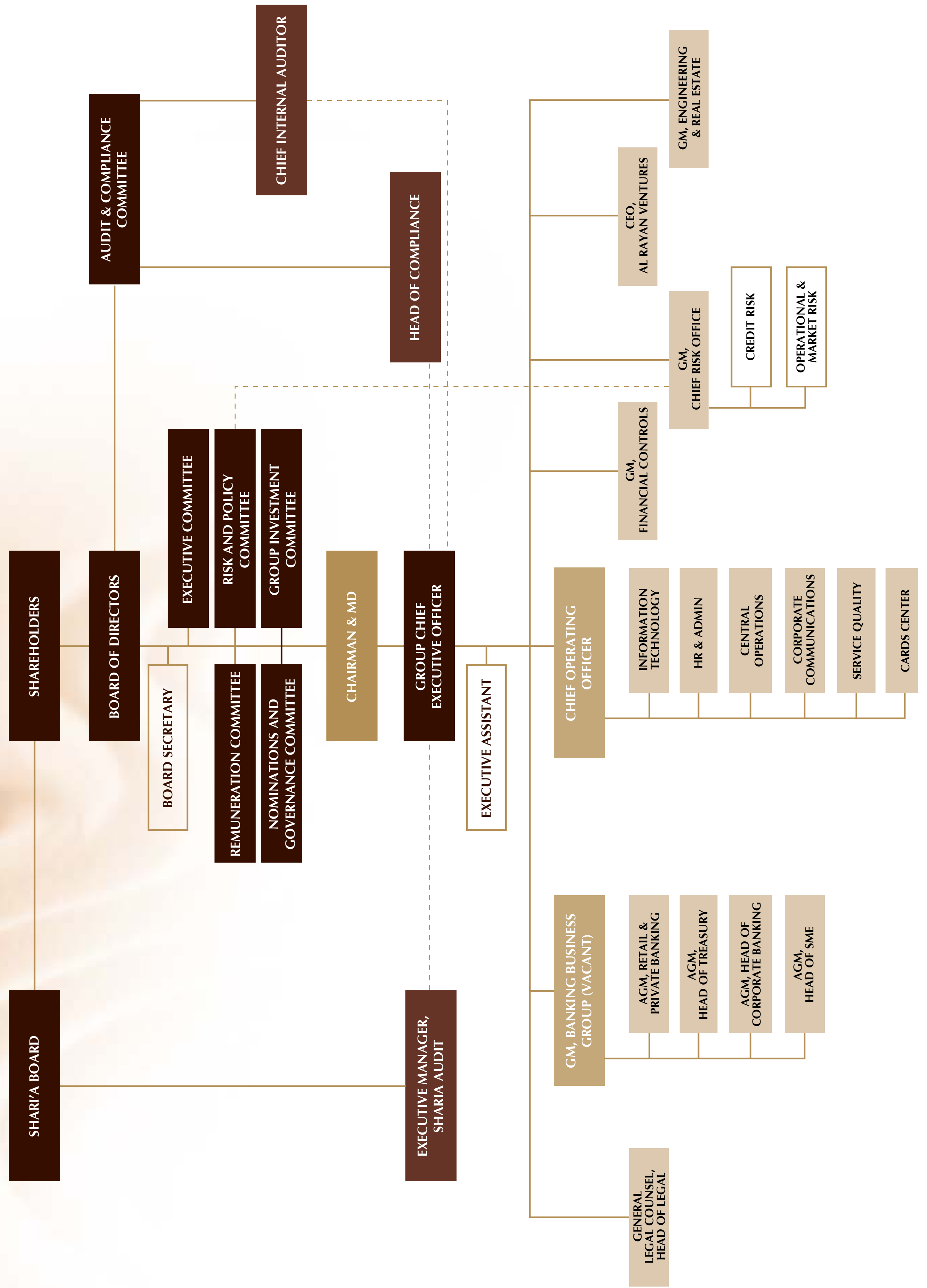
SHARI'A SUPERVISORY BOARD

Sheikh Dr. Waleed Bin Hadi
Chairman

Sheikh Dr. Abdull Sattar Abu Ghuddah
Member

Sheikh Dr. Mohamed Ahmeen
Member

ORGANIZATIONAL CHART



BOARD OF DIRECTORS CORPORATE GOVERNANCE REPORT 2014

Introduction

The controls and boundaries of the process of corporate governance have been made clearer with the issuance of more legislations and instructions. The booklet, “Boards of Listed Companies”, has also contributed to facilitate better understanding of the role expected to be played by boards, as it contained a set of important rules and regulations issued in Qatar to regulate the function of the Board of Directors, and to effect performance to the benefit of Shareholders while protecting the market participants and to prevent potential breaches.

The aforementioned booklet has been presented to the Board of Directors on their meeting held on November 24, 2015, as a reference in order to assist the members in performing their duties.

Top 10 Shareholders

No.	Name	Type	Nationality	Shares	%
1.	Qatar Holding Company	Government	Qatar	89,200,000	11.89
2.	Qatar Armed Forces Portfolio	Government	Qatar	69,857,478.0	9.31
3.	Pension Fund-General Retirement and Social Insurance Authority	Government	Qatar	17,500,478.0	2.35
4.	Al Mirqab Capital	Commercial	Qatar	17,004,136.0	2.27
5.	Burooq Commercial	Commercial	Qatar	13,950,000.0	1.86
6.	Manazil Commercial	Commercial	Qatar	13,557,334.0	1.81
7.	Qatar Foundation Fund	Government	Qatar	13,400,000.0	1.79
8.	Education and Health Fund	Government	Qatar	13,400,000.0	1.79
9.	Qatar National Fund 4	Commercial	Qatar	12,319,401.0	1.64
10.	Qatar National Fund 9	Commercial	Qatar	12,072,631.0	1.61

Board Charter

Masraf Al Rayan’s Board of Directors continued in 2014 to operate under the Charter approved on their 4th regularly scheduled meeting on July 21, 2014, due to the inclusion of new Members in the new formation of the Board.

The charter included detailed descriptions of the Board and its responsibilities and the duties of its Members based on the Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority. This (Board Charter) has been published on the electronic website of Masraf Al Rayan to benefit Shareholders and the public.

Board Duties and Responsibilities

Masraf Al Rayan is operated by an effective Board that is collectively responsible for appropriately supervising the Bank’s Management.

In addition to the responsibilities stipulated in Board Charter, the Board responsibilities also include the following:

- Approving the strategic goals of the company and appointing Management, replacing it, setting its bonus, reviewing Management performance, ensuring succession planning for Management.

- Assuring the compliance of Masraf Al Rayan with relevant rules and regulations, the Articles of Association of Masraf Al Rayan, as well taking on the responsibility of protecting Masraf Al Rayan from illegal operations and practices, or that are arbitrary or inappropriate.

- The Board's entitlement to delegate some of its authority and to form specialized committees to perform specific roles and functions. In such case, the Board provides detailed instructions about the duty or delegation, subject to preceding Board approval in specific matters. Nevertheless, even if the Board has delegated one or more of its functions, the Board remains responsible for all duties and responsibilities that it has delegated.

Board Members' Entrusted Responsibilities

Each Board Member owes due diligence and care towards executing their responsibility in adherence to relevant rules and regulations, including the Corporate Governance Code for Companies Listed in Markets Regulated By The Qatar Financial Markets Authority, and the Board Charter.

Board Members are required to always operate based on clear information, in good faith, with the due diligence and care required, and assuring the best interests of Company and all Shareholders.

The Board Members are also required to effectively address their obligations towards Masraf Al Rayan.

Chairman of the Board of Directors' Duties

The Chairman of the Board of Directors is responsible for the proper functioning of the Board of Directors, in an appropriate and effective manner; including that Board Members obtain complete and correct information in a timely manner.

The Chairman may not be a Member of any of the Board's Committees as stipulated in Board Charter.

The duties and responsibilities of the Chairman include, but are not limited to, the following:

- Ensure that the Board discusses all core issues in an efficient and timely manner.

- Approval of the agenda for each meeting of the Board of Directors, taking into account any issue raised by any member of the Board of Directors, and the Chairman may delegate this task to a member of the Board; however, the Chairman remains in charge of the said Member executing the task in an appropriate manner.

- Encourages all Members of the Board to participate fully and effectively in the conduct of the affairs of the Board in order to assure that the Council works for the benefit of Masraf Al Rayan.

- Ensure effective communication with Shareholders and delivering their opinions to the Board of Directors.

- Gives Non-Executive Board Members, in particular, the opportunity to effectively participate, and to encourage constructive relations between Executives and Non-Executives Board Members.

- Ensures conducting an annual assessment of the performance of the Board.

The Board

A total of 7 new Members were elected by the General Assembly on their Meeting held on March 3, 2014, for the 3rd term (2014 to 2016); while the Membership of Mr. Faisal AlHammadi has been renewed as representative of Qatari Diar Real Estate Investment Company by virtue of the Minister of Finance's letter dated January 8, 2014, in which the membership of Mr. Turki Al Khater was also renewed for the term as representative of the General Retirement and Social Insurance Authority (Qatar).

After the AGM and the announcement of the Elections Results, the Board held a Meeting at the same night of March 3, 2014, in which the Chairman, Managing Director, and Vice Chairman were elected. Accordingly the Board formation became as follows:-

Board Members

Board Membership for the Third Term (2014-2016)
As of March 3, 2014

	Name	Title	Nationality
1	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari
2	Dr. Thani Abdulrahman Al Kuwari *Representing Ministry of Defense - Qatar Armed Forces Fund*	Vice Chairman	Qatari
3	Dr. Menahi Khalid M. A. Al Hajri *Representing Ministry of Interior Employee Loans Fund*	Board Member	Qatari
4	Mr. Turki Mohammad Al Khater *Representing the General Retirement and Social Insurance Authority (Qatar)*	Board Member	Qatari
5	Mr. Faisal AbdulWahid AlHammadi *Representing Qatari Diar Real Estate Investment Company*	Board Member	Qatari
6	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari
7	Mr. Abdullah Ahmad Al Maleki	Board Member	Qatari
8	Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE
9	Mr. Nasser Mohamed Al-Abdulla *Representing Nile Beach Company*	Board Member	Qatari

Changes in Board formation

As per the request of Qatari Diar Real Estate Investment Company, the Board has approved based on its Decision number 13-6/4/2014 issued on July 21, 2014, the appointment of Sheikh Faisal bin Saud Al-Thani as a representative of Qatari Diar Real Estate Investment Company, in lieu of Mr. Faisal AbdulWahid AlHammadi, to complete the term of his predecessor; subject to necessary approvals of QCB and regulatory authorities, and the same has accordingly been communicated to QCB.

QCB approval was obtained on October 30, 2014, as per Qatari Diar Real Estate Investment Company request, and Masraf Al Rayan has accordingly notified all relevant parties about the execution of the decision; similarly a declaration has been made to that effect on October 30, 2014.

Accordingly, the Board formation as of October 03, 2014, was as follows:-

	Name	Title	Nationality
1	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari
2	Dr. Thani Abdulrahman Al Kuwari *Representing Ministry of Defense - Qatar Armed Forces Fund*	Vice Chairman	Qatari
3	Dr. Menahi Khalid M. A. Al Hajri *Representing Ministry of Interior Employee Loans Fund*	Board Member	Qatari
4	Mr. Turki Mohammad Al Khater *Representing the General Retirement and Social Insurance Authority (Qatar)*	Board Member	Qatari
5	Sheikh Faisal Bin Saud Al-Thani *Representing Qatari Diar Real Estate Investment Company*	Board Member	Qatari
6	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari
7	Mr. Abdullah Ahmad Al Maleki	Board Member	Qatari
8	Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE
9	Mr. Nasser Mohamed Al-Abdulla *Representing Nile Beach Company*	Board Member	Qatari

Board Members' Ownership of Masraf Al Rayan Shares as of 31 December 2014

	Name	Title	Nationality	Status	Frozen Shares as of 31/12/2013	Available Shares as of 31/12/2013	Mortgaged Shares as of 31/12/2013
1.	Dr. Hussain Ali Al Abdulla	Chairman and Managing Director	Qatari	Not Independent Non-Executive	100,000	700,000	–
2	Dr. Thani Abdulrahman Al Kuwari *Representing Qatar Armed Forces Fund*	Vice CHairman	Qatari	Not Independent Non-Executive	100,000	69,857,478	-
3	Dr. Menahi Khalid M. A. Al Hajri *Representing Ministry of Interior Employee Loans Fund*	Board Member	Qatari	Not Independent Non-Executive	100,000	40,000	-
4	Mr. Turki Mohammad Al Khater *Representing the General Retirement and Social Insurance Authority (Qatar)*	Board Member	Qatari	Not Independent Non-Executive	100,000	17,400,478	-
5	Sheikh Faisal Bin Saud Al-Thani *Representing Qatari Diar Real Estate Investment Company*	Board Member	Qatari	Independent Non-Executive	100,000	-	-
6	Sheikh Nasser bin Hamad bin Nasser Al Thani	Board Member	Qatari	Independent Non-Executive	100,000	-	-
7	Mr. Abdullah Ahmad Al Maleki	Board Member	Qatari	Independent Non-Executive	100,000	211,492	-
8	Mr. Khalaf Sultan Al Dhaheri	Board Member	UAE	Independent Non-Executive	100,000	-	-
9	Mr. Nasser Mohamed Al-Abdulla *Representing Nile Beach Company*	Board Member	Qatar	Not Independent Non-Executive	100,000	4,817,169	2,900,000

About the Members of the Board of Directors

Dr. Hussain Ali Abdulrahman Al Abdulla
Chairman and Managing Director
of Masraf Al Rayan
Ph.D . Economics

Holds the following positions:

- Board Member - Qatar Investment Authority
- Board Member - Qatar Holding
- Acting Chairman - Qatar Exchange
- Board Member - Gulf Investment Corporation (Kuwait)
- Board Member - Volkswagen (Germany)
- Chairman - Al Rayan Investment
- Chairman - Kirnaf Investment and Installment Company (Kingdom of Saudi Arabia)

Dr. Thani Abdulrahman Al Kuwari
Vice Chairman of Masraf Al Rayan representing Ministry of Defense - Qatar Armed Forces
Ph.D. Projects Management
Bachelors of Civil Engineering

Holds the following positions:

- Deputy General Head of Financial Affairs (Army)
- Vice Chairman of Masraf Al Rayan
- Vice Chairman of Al Rayan Investment
- Chairman of Employee Loans Fund
- Board Member of United Development Company
- Vice Chairman of Mackeen Holding

Dr. Menahi Khalid M. A. Al Hajri
Representing Ministry of Interior Employee Loans Fund
Ph.D. in Commercial Arbitration
Masters in Private Law
Holds the following positions:

- Board Member of Masraf Al Rayan
- Board Member of Al Rayan Investment

Sheikh Nasser bin Hamad bin Nasser Al Thani
Masters of Business Administration (MBA)

Holds the following positions:

- Board Member of Masraf Al Rayan
- Board Member of Al Rayan Investment

Sheikh Faisal Bin Saud Al-Thani
Representing Qatari Diar Real Estate Investment Company

Holds the following positions:

- Board Member of Masraf Al Rayan
- Board Member of Al Rayan Investment
- Director of Business Development at Qatar Holding
- Board Member at Qatar General Electricity & Water Corporation (KAHRAMAA)
- Board Member at Mowasalat

Mr. Turki Mohammed Khalid Al Khater
Board Member of Masraf Al Rayan representing General Retirement and Social Insurance Authority
Bachelors of Economics and Social Sciences

Holds the following positions:

- Head of the General Retirement and Social Insurance Authority
- Chairman - United Development Company
- Board Member - Qtel
- Board Member - Ahli United Bank (Kingdom of Bahrain)

Mr. Abdulla Ahmad Al Malki Al Juhani
Bachelors of Management and Economics
Board Member of Masraf Al Rayan

Mr. Khalf Sultan Al Dhaheri
Masters of Business Administration - Chartered Accountant

Holds the following positions:

- Board Member of Masraf Al Rayan
- Senior Managing Director & Group Chief Operating Officer of Abu Dhabi National Bank (United Arab Emirates)

Mr. Nasser Mohamed Al-Abdulla
Representing Nile Beach Company
Bachelors of Business Administration

Holds the following positions:

- Deputy Chief Executive Officer of Ezdan Holding Group
- Board Member of Masraf Al Rayan
- Board Member of Al Rayan Financial Brokerage

Independence of Board Members

As per the previous definition of independence in corporate governance guidelines to banks and financial institutions, most of the Board Members were considered independent, and this did not contradict with the definition of the independent member as per the Corporate Governance Guidelines issued by the Qatar Financial Markets Authority (QFMA) up to March 2014; however, in the new amended version, issued in March 2014, the QFMA has amended definition of independence to include that the number of owned shares shall not exceed that which is stipulated by the Articles of Association to grant a Board Membership.

According to this new definition amendment, most of the Board Members are not independent.

The elected Board of Masraf Al Rayan is all Non-Executive. It is important to note that His Excellency Dr. Husain Al Abdulla, who holds the position of Managing Director, does not carry out daily executive duties at Masraf Al Rayan. The Group Chief Executive Officer is the one who performs his duties as Chief of the Executive Management and the Managing Director acts as a connection between the Board and the Executive Management. A clear segregation has been put between the positions of Chairman of the Board (Managing Director) and the Chief Executive Officer (General Manager); furthermore, the Chairman is not a member of any of the Board Committees. The Board Charter segregates the duties of the Chairman in accordance with article 8 of Corporate Governance Guidelines issued by the Qatar Financial Markets Authority.

Non-Executive Board Members' Duties

The duties of the Non-Executive Board Members include, but are not limited to, the following:

- Participation in the Meetings of the Board of Directors and to give an independent opinion about strategic issues, performance and accountability, resources, key appointments and operation standards.
- Ensure that priority be given to the interests of Masraf Al Rayan and the Shareholders in the event of any conflict of interests.
- Participation in the Audit Committee of Masraf Al Rayan.
- Monitoring the performance of the company in achieving its agreed upon objectives and targets, and the review of the performance reports, including the Annual Reports as well semi-annual and quarterly.
- Oversight of the development of special procedures for Masraf Al Rayan Corporate Governance and to oversee its application accordingly.
- To make available their skills, experience, and diverse competencies and qualifications to the Board of Directors or its various Committees through regular attendance of Board Meetings and their effective participation in General Assembly Meetings and their understanding of the views of Shareholders in a balanced and fair manner.
- It is permissible for the majority of Non-Executive Members of the Board to request an independent consultant at the expense of Masraf Al Rayan; for any issue related to the Bank.

Board Meetings

The Board of Masraf Al Rayan has convened 6 times throughout 2014 on the following dates:

- First Meeting: January 27, 2014
- Second Meeting: March 3, 2014
- Third Meeting: April 23, 2014
- Fourth Meeting: July 21, 2014
- Fifth Meeting: September 22, 2014
- Sixth Meeting: November 24, 2014

The Board of Masraf Al Rayan executes its duties and responsibilities according to what has been stated in the Articles of Association and Memorandum of Association of Masraf Al Rayan, in alignment with both the Qatar Central Bank Corporate Governance Instructions and the Corporate Governance Guidelines for Companies Listed in Markets Regulated by Qatar Financial Markets Authority. The Board is considered collectively responsible for supervising the Management of Masraf Al Rayan in the appropriate manner that is in compliance with the Charter of the Board. The Board also approves the strategic objectives and adopts the policies that are the controls for Masraf Al Rayan.

Secretary of the Board of Directors

The position of Secretary of the Board of Directors is held by Mr. Ghassan Al-Rihawi since the inception of the Bank in 2006. Mr. Al-Rihawi previously held the position of Secretary of the Board of the Chamber of Commerce and Industry (Qatar) from 2002 to 2006 and has managerial experience of over 33 years in the State of Qatar.

The Secretary's duties include recording, preparing, and saving all Minutes of the Meetings of the Board under the supervision of the Chairman. He is also charged with ensuring communications and liaison between the Members and the Board as well as the Board and other stakeholders inclusive of Shareholders and Management.

The Board Secretary also ensures the ability of Members to reach the Minutes of the Meetings, information, documents, and records related to Masraf Al Rayan in full and expeditiously. He is also responsible for giving Shareholders the ability to reach ownership details, records of Shareholders, records of Board Members, Articles and Memorandum of Associations and any other documents which provide any preference or privilege over the assets of Masraf Al Rayan and related parties contracts.

Conflict of Interest and Insider Transactions

Masraf Al Rayan is committed to the adoption and the declaration of general rules and procedures governing its entry in any business transaction with a related party (Masraf Al Rayan policy with respect to related parties). In any case, Masraf Al Rayan refrains from entering into any business transaction with a related party, or to sign with them, except in compliance with the Bank's policy for Related Parties. Such policy must ensure that the principles of transparency, fairness and disclosure are applied, and requires the approval of any such transaction with a related party by a majority of Shareholders in a vote in which the said related party that does not vote.

In case any question of a conflict of interest or a business deal between Masraf Al Rayan Bank and a Member of the Board or any related party to the Board Member during a meeting of the Board, that the topic is discussed in the absence of the Member concerned, who has absolutely no right to participate in the vote on the deal. And in any case such deal must be done according to market prices and on a purely commercial basis, and must not include conditions contrary to the interest of the Company.

The Corporate Governance policy requires the disclosure of these transactions in the Company's Annual Report, and to be specifically referred to in the General Assembly Meeting that follows such deals.

The Corporate Governance Policy stipulates the requirement to disclose information about the trades of Members of the Board of Directors in the shares of Masraf Al Rayan and its other financial papers, and that the company adopts clear rules and procedures governing the trading of Board Members and Staff in the Company's Shares.

Other Duties and Responsibilities of the Board

Board Members are granted full and prompt access to information, documents, and records related to the Company, the Executive Management of Masraf Al Rayan is committed to provide the Board and its Committees with required all documents and information.

Members of the Board are keen to attend the meetings of the Nominations and Governance Committee, the Remuneration and Compensation Committee, the Internal Audit Committee, internal auditors and representatives of the External Auditors, and of the General Assembly.

The Board of Directors has adopted an induction program which has been developed to ensure that Members, when elected, have a proper understanding of the functioning of the Company, its operations, and that they are fully aware of their responsibilities.

The Members of the Board are responsible for the good understanding of their roles and duties, and they are responsible to educate themselves in financial matters, commercial, industrial, and in the operations of the Company and its functions; and to this end the Board must adopt or follow appropriate and official training courses that aim to endorse the skills of Board Members and their knowledge.

The Board of Directors works to keep its members informed constantly on the latest developments in the field of corporate governance and best practices in this regard, and the Board may delegate the responsibility to the Internal Audit Committee or the Nominations and Governance Committee or any other entity it deems appropriate.

The Articles of Association of Masraf Al Rayan include in Article number (32) clear procedures for the dismissal of Board Members in the event of absence from Board Meetings.

Sharia Supervisory Board

The General Assembly of Masraf Al Rayan has approved the continuation of the Sharia Supervisory Board under its same formation for the next term (3 years from 2014 to 2016). Accordingly, the Sharia Supervisory Board maintained its formation throughout 2014 as follows:

- Sheikh Dr. Waleed Bin Hadi
  Chairman
- Sheikh Dr. Abdull Sattar Abu Ghuddah
  Member
- Sheikh Dr. Mohamed Ahmeen
  Member

The work of the Sharia Supervisory Board includes review of contracts, answering Sharia related questions, placing solutions for difficulties that arise during implementation. The Supervisory Board also oversees the Bank operations of Masraf Al Rayan to ensure the proper implementation of its decisions, and to ensure that banking operations are done in accordance with Sharia regulations.

The Supervisory Board also presents its report annually for each financial year to the Ordinary General Assembly Meeting.

Board Committees

The established Board Committees continued to perform their duties throughout 2014 as per their terms of reference, some of which have been amended throughout the year, in alignment with corporate governance guidelines. The Committees have had a slight change in their memberships in 2014 in congruence with the changes to Board of Directors, especially after the changes in Board Membership upon the Elections which took place on March 3, 2014, which ushered in a new Board. In the first meetings of the Board (March 3 and April 27, 2014) the Board Committees have been structured as follows:

Executive Committee

Committee Composition:

- Dr. Thani Abdulrahman Al Kuwari
  Chairman
- Sheikh Nasser bin Hamad Al Thani
  Member
- Dr. Menahi Khalid M. A. Al Hajri
  Member
- Sheikh Faisal Bin Saud Al Thani
  Member

Committee Composition upon Board Decision number 3/6/2014 issued on November 24, 2014, where H. E. Sheikh Faisal Bin Saud Al-Thani replaces Mr. Faisal Abdul Wahid Al Hammadi, accordingly the committee became as follows:-

- Dr. Thani Abdulrahman Al Kuwari
  Chairman
- Sheikh Nasser bin Hamad Al-Thani
  Member
- Dr. Menahi Khalid M.A. Al Hajri
  Member
- Sheikh Faisal Bin Saud Al-Thani
  Member

Internal Audit Committee

Committee Composition:

- Mr. Khalaf Sultan Al Dhaheri
  Chairman
- Mr. Nasser Mohamed Al-Abdulla
  Member
- Mr. Abdullah Ahmed Al Maleki
  Member
- Mr. Turki Mohammad Al Khater
  Member

Remuneration and Compensation Committee

Committee Composition:-

- Mr. Turki Mohammad Al Khater
  Chairman
- Sheikh Nasser bin Hamad Al-Thani
  Member
- Mr. Abdullah Ahmad Al Maleki
  Member

Nominations and Governance Committee

Committee Composition:

- Dr. Menahi Khalid M. A. Al Hajri
  Chairman
- Mr. Abdullah Ahmad Al Maleki
  Member
- Mr. Nasser Mohamed Al-Abdulla
  Member

Risk and Policies Committee

Committee Composition:-

- Mr. Nasser Mohamed Al-Abdulla
  Chairman
- Dr. Thani Abdulrahman Al Kuwari
  Member
- Mr. Turki Mohammad Al Khater
  Member

Group Investment Committee

Committee Composition:-

- Sheikh Faisal Bin Saud Al-Thani
  Chairman
- Sheikh Nasser bin Hamad Al-Thani
  Member
- Mr. Adel Mustafawi
  Member
- Mr. Feizal Ali
  Member
- Mr. Ahmed Sheikh
  Member

Committee Composition upon Board Decision number 3/6/2014 issued on November 24, 2014, where Sheikh Faisal Bin Saud Al-Thani replaces Mr. Faisal Abdul Wahid Al Hammadi, and Mr. Haithem Katerji has been added as a "Member" of the committee, accordingly the committee became as follows:-

- **Sheikh Faisal Bin Saud Al-Thani**
  Chairman
- Sheikh Nasser bin Hamad Al-Thani
  Member
- Mr. Adel Mustafawi
  Member
- Mr. Feizal Ali
  Member
- Mr. Ahmed Sheikh
  Member
- Mr. Haithem Katerji
  Member

Executive Committee

The Executive Committee is considered one of the most important Committees as it helps the Board review Masraf Al Rayan activities and undertakes studies of matters which shall be presented to the Board, such as credit transactions or other activities of Masraf Al Rayan that require Board approval. The Committee is the one to prepare the recommendations that are to be presented to the Board.

The most important duties of the Executive Committee are:

- Review of the main functions of the Board
- Discussing and passing items that fall under the purview of the Board or those that develop in between Board Meetings.
- Providing reports and recommendations to the Board as and when needed.
- Endorse risk policy.
- Recommendation to approve policies, rules, and any additions or amendments.
- Approving or recommending ceilings for transactions with new banks and countries that the Bank deals with and making the necessary amendments.

The Committee has held the following meetings:

- First Meeting: January 20, 2014
- Second Meeting: March 16, 2014
- Third Meeting: April 17, 2014
- Fourth Meeting: July 21, 2014
- Fifth Meeting: November 17, 2014

The Committee has studied 14 requests submitted to it throughout 2014, and has taken decisions on each of them by way of circulation.

The Executive Committee had a brief lull while the process of Sheikh Faisal Bin Saud Al-Thani replacing Mr. Faisal Abdul Wahid Al Hammadi was completed; at Board level and then at Committee level.

Internal Audit Committee

The majority of the members of this Committee should be independent with an independent member chairing the Committee.

The Internal Audit Committee has the following responsibilities:

- Appoint the internal audit staff and adopt a policy for contracting the external auditors.
- Supervise and monitor the independence of the external auditors and their objectivity and discuss with them the nature and scope of the audit and effectiveness in accordance with international auditing standards and international financial reporting standards.
- Overseeing the accuracy and validity of the financial statements and the annual, semi-annual and quarterly reports, review the data and reports in particular with regards to their compliance with accounting, transparency, listing in the market and disclosure standards.
- Coordination with the Board and senior executive management and Chief Financial Officer of the Bank or designate and arrange meetings with the external auditors at least once a year.
- Study any important and unusual issues included or will be included in the financial statements.
- Revision of financial and internal control systems and risk management.
- Discuss the internal controls system with the management and ensure the performance of the management of its duties towards the development of an effective internal controls system.
- Considering the results of the investigations in the internal control issues entrusted to it by the Board of Directors.
- Ensure coordination between the external and internal auditors and verify and supervise the effectiveness of the internal audit.
- Review the accounting and financial policies and procedures of the Bank.
- Review letter of appointment of the external auditor, his work plan and any queries he requested from Senior Management of the bank as well as the responses of the management.
- Ensure prompt response to Board of Directors queries and matters raised by external auditors.
- Developing rules to be approved by the Board of Directors allowing the staff of the bank to report confidentially their concerns regarding any issues that are likely to raise suspicion, and to ensure appropriate arrangements for an independent and fair investigation about these issues while preserving confidentiality and protecting the staff from any retaliation.
- Oversee compliance with the rules of professional conduct.
- Reporting to the Board of Directors on matters provided for in this article.
- Consider any other matters determined by the Board of Directors.

The Audit Committee held the following meetings:

- First meeting: January 27, 2014
- Second meeting: April 23, 2014
- Third meeting: July 21, 2014
- Fourth meeting: November 24, 2014

Remuneration and Compensation Committee

The committee has the following responsibilities:

- Determining the remuneration policy at the bank, including the emoluments of the Chairman and all members of the Board and the senior executive management.
- Updating regulations of the rewards and compensation whenever the need arises.
- Proposing remuneration of the members of the Board of Directors and executive management, taking into account the following:
  - The value of awards granted to members of the Board of Directors and executive management in similar financial institutions, local and regional.
  - Profits and achievements of the bank during the financial year and compare them with the results of previous years.
  - Economic and financial conditions during the fiscal year.
- Responsibilities and scope of tasks of the Board members and senior executive management.
- Observing the relevant articles in Masraf Al Rayan Articles of Association that determine the value of the bonuses for the members of the Board of Directors.

- Proposing the bases that determine the annual bonuses for staff.
- Presenting the remuneration policy and principles to Shareholders in a General Assembly Meeting for approval and public announcement.

The committee had a meeting on January 20, 2014.

Risk and Policies Committee

Committee Objectives

Risk Management

a. Operational Risk
   1. Review of the effectiveness of Risk Management at Bank level as a whole
   2. Evaluating new significant risks that affect the Bank
   3. Identifying new Strategic Risks inclusive of institutional issues such as regulatory framework, business development, and other similar issues
   4. Reviewing the Key Risk Indicators (KRIs) and identifying issues that require the attention of the Board on a quarterly basis
   5. Review of significant operational losses
   6. Review of all Risk Policies annually

b. Credit Risk
   1. Review of Credit Policies annually
   2. Instituting and reviewing the Credit Authority as needed, and at least once annually
   3. Review of and ratification of maximum counterparty limits, other financial institutions and countries, when needed and at least once annually
   4. Review of past-dues and delinquencies to recommend suitable provisions
   5. Review of write-off or return to profitability vs. provisioning levels
   6. Review and monitoring of the raised legal cases and collection

c. Compliance
   1. Assess the impact of new and anticipated regulations on Masraf Al Rayan
   2. Review and ratification of Compliance policies annually
   3. Review of the performance of compliance monitoring program and identified high risk issues
   4. Review of the reports prepared by the Compliance Department

d. Monitoring Reputational Risk and other Risks not mentioned above

e. Policies
   1. Review, development, and update of policies that require Board approval

The Committee held the following meetings:

- First meeting: January 20, 2014
- Second meeting: July 14, 2014

Nominations and Governance Committee

Committee responsibilities

- Adoption and publication of its terms of reference showing its authority and role.
- Proposing appointment of Board members and the re-nomination for election by the General Assembly.
- Supervise the implementation steps for the call for nominations to the Board, and consider applications received to ensure matching of applicants for membership conditions.
- Determining qualifications for Board membership, including independence.
- Make sure that candidates can give sufficient time to carry out their duties as members of the Board as well as their skills, knowledge and experience and professionalism, technical, academic and personality.
- Consider any conditions or requirements relating to the nomination or election or appointment of Board members from Qatar Central Bank or any other authority.
- Evaluate candidates for senior executive management positions, and submit recommendations to the Board of Directors.
- Perform an annual self-assessment of the Board's performance.
- Follow-up Board Committees' self-assessments.
- Supervise Board structure and composition of its committees.
- Review the annual Corporate Governance report of Masraf Al Rayan, and to recommend its approval by the Board.
- Placing an induction program for new Members and suggesting training for them as and when required.

The Committee held the following meetings:

- First meeting: January 20, 2014
- Second meeting: July 14, 2014

Group Investment Committee

Committee Composition

Committee Responsibilities

- To prepare, study, and develop investment policies for the Group that includes the broad lines for investment and identification of assets and prohibited investments.
- Review and approve the investment activities of the Group, place limits on single transaction investments or for cumulative annual limit as per Investment Policy.
- To supervise the management of the Group's investment portfolio to monitor compliance with Investment Policy.
- Review investment portfolio performance by comparing actual vs. expected returns, as well as comparing it to market performance indices approved by the Board, taking into account compliance with policies and directions and risk level.
- Review of periodic analysis and Management Reporting.
- To approve investment sector limits.
- To approve investment country limits.
- To review investment strategies whenever the need arises.
- Other duties and responsibilities and having authority as per Board delegation.
- Preparing reports and presenting them to the Board to disclose investment decisions which were made, policies, and investments performance.
- To carry out any other assignments whenever requested, as per the changes in the policies of the Board or Qatar Central Bank regulations, or Qatar Financial Markets Authority regulations, or as needed as per market developments.
- To approve investment deals according to the set limits by the Committee and to raise recommendations for deals with higher limits to be approved by the Board.
- Invite experts and / or concerned personnel to Committee meetings to provide opinions in technical areas.

The Committee held the following meetings:

- First meeting: January 20, 2014
- Second meeting: July 13, 2014

Board Charter

The Corporate Governance Charter aims at providing frame of responsibility and control over the Bank in addition to ensuring the existence of a supervision that is based on respect of values according to the laws and related regulations.

Masraf Al Rayan solemnly believes that following this Charter will enhance - in the long run - trust with shareholders, clients and employees and different stakeholders in addition to establishing and supporting Masraf Al Rayan reputation in the money market.

The Board Charter is binding not only on the Board members but on all staff and the Board of Directors is considered responsible for implementing this Charter and applying it by all staff at Masraf Al Rayan.

This Charter was prepared in compliance with the local laws and rules and international standards. The Charter will be revised from time to time considering the guidelines, the acquired experiences, work needs and according to the requirements of Qatari laws and related regulations.

Masraf Al Rayan Board of Directors reviewed an update to the Charter on their December 19, 2011

Meeting but the matter was postponed to be presented again on the January 29, 2012 Meeting. In addition, the Board had also signed a Confidentiality Charter.

This Charter was last updated and ratified by the Board of Directors pursuant to their resolution number 8/4/2014 issued on July 21, 2014.

Board Remuneration

The Remuneration and Compensation Committee discussed the Board of Directors' bonus and that of the Senior Management and connected it to profit and achievements that the bank had realized during the fiscal year and comparing it with the results of previous years.

The Committee also takes into consideration the economic and financial position during the fiscal year, the responsibilities and scope of duties of the Board Members and the Senior Executive Management must be taken into consideration and that bonuses must be within the permitted level in the Articles of Association and related regulations.

List of bonus, fees and allowances of Members of the Board of Masraf Al Rayan

The list of bonuses and allowances and compensations of Board Members is reviewed and updated on an annual basis by the Nominations and Compensation Committee; where the regulatory guidance is included regarding these compensations.

For the year 2014, the updated list of bonus, fees, and allowances of Members of the Board of Masraf Al Rayan has been presented to the Committee which in turn has recommended their ratification by the Board in their next meeting of March 2, 2015.

The List includes a presentation on the regulations upon which the List was based, the Board of Directors Resolutions in that regard, and the basis on which the bonus for the Board of Directors and Senior Management is based, and the QCB regulations in this regard.

Policies

Masraf Al Rayan is committed in its work to follow an adopted group of policies that determine the framework and controls on all activities. These policies are updated and amended through the Policies and Development Committee before approval by the Board; on a regular and an as-needed basis.

Masraf Al Rayan follows updated policies and reviewed polices which include:

- Internal Audit Policy
- Compliance Policy
- Investment Policy
- Finance Policy
- Corporate Governance Policy
- Anti-Money Laundering and Combating of Financing of Terrorism Policy
- Credit Policy
- Personnel Policy
- Whistleblower Protection Policy
- Customer Acceptance Policy
- Succession Policy
- Sharia Policy
- Risk Monitoring Policy
- Stress Testing Policy

Credit Rating of Masraf Al Rayan

Moody's Investor Services rating of Masraf Al Rayan for 2014 was the same as the rating which was given in the previous year. The rating of issuance in local and foreign currencies of Masraf Al Rayan was lifted previously from A3/Prime2 up to A2/Prime1, and the future outlook is stable for all its long term ratings. The rating, reflects Masraf Al Rayan's low risk self-sustaining profile of excellent quality of assets, robust capital & liquidity buffers and a strong partnership with the public sector.

Internal Controls inclusive of Financial, Investment and Risk Management

The internal controls and compliance officers form the first line of tools used by management in order to supervise and review compliance with regulatory guidance and instructions. The officers escalate reports as and when needed directly to the Executive Management or the Board of Directors; accordingly the Board is fully aware of the results of the internal controls. This means that:

- Evaluating and awarding credit
- Investment
- Liquidity
- Market Risk
- Capital Adequacy
- Concentrations Risk
- Foreign Exchange Risk
- Profit Rate Risk
- Pricing
- Profitability and Balances
- Operational Risk and Accounting
- Legal Risks
- Anti-Money Laundering
- Insuring Assets
- Related Parties and Conflict of Interest
- Compliance with laws, regulations, and regulatory instructions
- Internal and External Audit
- Performance Evaluation
- Disclosures to relevant parties
- Policies related to personnel which govern employment, costs, incentive schemes, development of skills, and nurturing ethics and code of conduct in addition to other policies

Are all being reviewed to ensure implementing the best standards and compliance with the regulatory requirements. Then the Internal Audit reviews the functions of the Compliance Officer and Risk Officer to provide reasonable assurance to the Audit Committee of the Board of Directors that these functions are being carried out at a reasonable level of competency and to highlight issues of concern. All of which are also governed by the Policies set forth by the Board (mentioned above in Policies). The evaluation of the Board and Senior Management in how they have applied the systems of internal controls is conducted inclusive of reporting the number of times the Board has been notified about control issues, inclusive of risks, and the way the Board has addressed these issues.

The internal controls work has not revealed other than ordinary issues which have been addressed routinely by each of the Risk Officer and the Compliance Officer within the set policies which did not require Board level intervention.

The control departments continually attempt to uncover areas of potential failure of application of internal controls or even weaknesses in implementation and they are responsible for follow-up to ensure rectification of the issues raised.

The internal control activities are distributed between the control departments, they continually carry out inspections, comprehensively, and raise issues to the Executive Management about findings, observations, violations, and such in order to take the necessary corrective action. There has been no emergency that influences or that may influence the financial performance of the Bank.

External Auditor

The General Assembly of Masraf Al Rayan approved the appointment of the External Auditors KPMG for the financial year 2014. This has been presented to the General Assembly after Qatar Central Bank approval in this regard.

KPMG were contracted due to their application of best practices and their maintaining independence and refraining from entering into conflict of interests relationships. The External Auditors also attend the General Assembly to present their annual report and responds to inquiries.

Duties of the External Auditor

An independent and qualified External Auditor is to be appointed based on the recommendation made by the Audit Committee to the Board of Directors, and the General Assembly Resolution for the External Auditor's firm to conduct an annual independent audit and quarterly review. The aim of the audit is to provide reasonable assurance to the Board of Directors and Shareholders that the financial statements have been prepared in accordance with the best practices, international standards, and are governed by applicable laws and relevant regulations and standards that govern the preparation of financial statements; and that they represent exactly the financial position and performance in all material respects.

The External Auditor should adhere to the best professional standards, and Masraf Al Rayan is committed not to contract them to provide any advice or services that may result in a conflict of interest, and thus the External Auditors are considered to be independent completely off Masraf Al Rayan and its Board of Directors, and have no absolutely no conflict of interest in their relations with Masraf Al Rayan.

The External Auditor is accountable to the Shareholders and owe Masraf Al Rayan the duty of due professional care required when an audit conducted, the External Auditor also has the duty to inform Regulatory Authorities in the event of failure of the Board to take appropriate action in regards to any suspicious matters raised or identified by the External Auditor.

Company Compliance with Rules and Conditions Governing Disclosure and Listing on the Market

Masraf Al Rayan Board of Directors is committed to the principles of transparency in performing its business with regards to the requirements of disclosure on all that may affect the financial performance of the bank or the movement of its shares' prices. Information of the Board members was provided to Qatar Financial Markets Authority as well as to Qatar Exchange to make known their ownership of shares. The Board Charter identifies the responsibilities of the Board and its committees.

The Board is also keen to provide Qatar Exchange with financial statements and clarifications as set by the Qatar Exchange regulations, in addition, the Board publishes the financial statements once approved by the Board of Directors according to the Commercial Companies Law, Qatar Central Bank regulations, Qatar Exchange rules, and the regulations of Qatar Financial Markets Authority.

Financial statements are published supported with external auditors' report who confirms in his reports that the reports and financial statements of Masraf Al Rayan are issued in conformity to the international accounting and auditing standards and that the external auditor has obtained all the data and information that are necessary to perform the audit.

The financial statements and the External Auditors' reports are published on the Qatar Exchange website and on the local media and some GCC newspapers according to what is stated in the Articles of Association of Masraf Al Rayan and the Commercial Companies Law.

Company Compliance with Internal Control Systems for Risk Identification and Management

The Board of Directors gives special attention to setting internal control systems by clearly determining its responsibilities including its position in the organization chart and its relationship with other departments in a way that would ensure its independence and effectiveness. The Board provides adequate resources and fast and clear reporting lines to the Board of Directors and senior management and provide it with necessary authority to have access to information within the frame of clear and adequate policy and procedures and making annual revisions to these policies.

The Board ensures that the duties of the Internal Audit include the audit of activities of the Compliance Manager. In addition to the above, the Executive Management in collaboration and coordination with the Compliance Manager takes the necessary corrective and disciplinary action if any violations are discovered and submit periodical reports to the Board on matters related to the policies and procedures of the compliance to help in improving them.

Risk Management Operations and Internal Control Procedures

The Board gives a high level of care and attention to risk management operations and internal control procedures in the Bank because of their importance in sound risk management, especially legal, reputational, and operational risks. Accordingly, the Risk Officer and the Compliance Officer functions are Departments that identify and evaluate and provide counsel and monitor, as well as raise reports about risks of non-compliance with regulations, standards, or instructions. The Board has ensured that these functions have sufficient resources in terms of cadre, equipment, and systems.

The objectives of internal controls are mainly to protect Bank assets, monitor use of available resources, assure accuracy of financial information, identifying responsibilities and authorities and compliance thereto, and the following of a standard clear policy in selection of employees for the various management roles.

Processes Applied by the Bank to Determine, Evaluate, and Manage Risks

Stress Testing

Measuring and monitoring various risks is vital to further the soundness of the financial institutions, financial markets in general, and banks in particular. One of the tools that has gained prominence in this sphere is Stress Testing. Stress testing is defined as the evaluation of a bank's financial and capital position under severe, but plausible scenarios to assist in decision-making at all levels within the bank, risk appetite setting, as well as capital and liquidity planning among others. The term Stress Testing is also used to refer not only to the mechanics of applying the individual tests, but also the wider environment within which the tests are developed, evaluated and used within the decision making process.

These tests performed by Risk Management serve to measure the ability of the bank to withstand future losses that it may be exposed to as part of specific scenarios about future financial situations, starting with what is known as a "base scenario"; the scenario in which the current situation persists, and then several other scenarios that differ in the extent to which adverse conditions are assumed. Mainly, these tests aim to show what capital resources the Bank will be able to maintain given these adverse conditions, inclusive of the worst case scenario. Accordingly the Bank is able to give a realistic assessment of its vulnerabilities and ability to withstand the shocks that might impact the economy, if the economy was to take a turn to the worst. It also evaluates the Bank's ability to withstand the impact of different shocks resulting from credit and market risks. These tests are performed on the entire Bank given its current financials and information which has been collected by Risk Management about the risks surrounding the Bank.

Stress tests help determine the appropriate actions to be taken in such scenarios, and also provide a reflection on the Bank's stability, through assessing the adequacy of its capital to cover its commitments and to cover its potential worst case losses, should they materialize; and further to determine its ability to continue as a financial institution without government support, or how much government support it would need to continue operating (i.e. its need to get money from the government in order to support its position) or seeking funds in the market from potential providers; all the while keeping potential options open, such as mergers. All these scenarios help the Management to make educated decisions in cases where adverse situations develop.

Credit Risks

Risk is an integral part of the financial industry, especially in today's world economy condition and the increasing aggressiveness of competition and the size of financial transactions as well as technological developments and the need for larger banks. That is why proper risk management assists the Bank in succeeding and ensures its continuity in the banking sector with acceptable returns and reduced risks.

The Bank's Credit Policy is considered the pillar of the Credit Risk Management's function. That is why the Bank is keen to develop a comprehensive tool to evaluate credit by placing a comprehensive Credit Policy that contains the framework of standards and conditions and guidance for granting credit through following a standardized approach in the process of credit evaluation & management, which provides unified system with sufficient flexibility.

The Bank extends credit facilities only after the applicants meet a set of requirements namely, a clearly identified purpose of the requested facility, adequacy of sources of repayment, customer creditworthiness and experience, acceptable risk level as per MAR approved risk level, as per MAR approved risk appetite, and sufficient collaterals to protect the Bank's rights should the client face difficulty in repayment or stopped altogether without any losses.

Credit is given through the 4 levels of the Credit Committees of the Bank depending on the size of the financing requested which consists of the following:

1. Retail Credit Committee for credit facility limits up to QAR 15 Million
2. Group Credit Committee for credit facility limits up to QAR 150 Million
3. Executive Committee for credit facility limits up to QAR 300 Million
4. Board Committee for credit facility limits above QAR 300 Million

Accordingly no one individual has unilateral lending authority for non-personal lending.

Credit Risk Division

The Credit Risk Division in Masraf Al Rayan follows a number of procedures to identify, assess, measure and monitor risks associated with any financing by adopting the following processes:

Criteria of the Credit Risk Division

Credit criteria include the following:

1. Determining credit types and sectors (economic) for which the Bank may extend financing.
2. Establishing a limit cap for group exposure as well as pricing modules.
3. Determining types of collaterals, their mechanism of evaluation, the approved professional agents which conduct the evaluation, its financing to collateral value, and taking precautionary steps to protect the bank against any such risk by obtaining property insurance and periodical evaluation of these collaterals.
4. Placing conditions for approval of credit inclusive of information that must be obtained prior to granting of credit facilities, and granting the delegation to grant credit facilities, and establishing independent review of credit and conditions for rating of credit and provisioning.
5. Establishing the level of risk that the Board approves to enter into while financing.
6. Preparing independent credit recommendations for Business Units.
7. Disclosure of all the information related to the client to the Credit Committee with all transparency so that a well advised credit decision is made.
8. Enhancing the role of monitoring and managing credit to ensure the necessary follow up is done to complete all the documentation and collateral as per the Credit Committee recommendation to activate the limits in the electronic system.
9. Adopting an internal rating system that relies on financial standards, type of client, their position in the market, and offered collateral that will support making a proper credit decision.
10. Carrying out stress testing on the lending portfolio in order to support the process of evaluating and controlling risks and to complement the tools available for risk management, in order to achieve a comprehensive assessment of the credit risks.

Implementation of Sound Measures to Determine Credit Risks

Granting credit facilities is based on sound measures as detailed below:

1. Assuring that the client request or credit application is signed by a sufficiently authorized delegate.
2. Knowledge of the customer's reputation, experience, market share (economic sector), and purpose of finance.
3. Obtaining sufficient information in order to make a comprehensive evaluation of the client and types of risk underlying the requested facility, as well as to be able to rate the client as per the Bank's internal credit rating system.
4. The nature of the current and future risks of the credit applicant, their industry, and sensitivity to the economic developments, and assess the relation between associated risks and profit.
5. Source of repayment and customer's commitment to settle previous debts and type of the acceptable collaterals.
6. Obtaining all the collaterals and their evaluation.
7. Evaluation of the client's financial position using updated Audited financials for the past 3 years.
8. Supporting the application with Credit Bureau reporting on the client to understand the nature and volume of existing facilities of the client.
9. Establishing credit limit caps for all on & off-balance sheet items, credit limit caps for industry, countries, and establishing credit limit caps based on the customer risk rating.
10. Establishing credit limit caps which can be extended for equity at one obligor level, group level, and inter-related relations level, as well as those with overlapping interests.
11. Observing Qatar Central Bank instructions regarding lending.
12. Approving the modus operandi of Stress Testing which includes policy, framework, methodology, and assuring the definition and identification of the suitable factors related to credit risk and assigning the associated responsibilities and their consequences, as well as presenting them to the specialized Committees to support in taking the related decisions.

Existence of Procedures to Handle and Follow-up Credit

The procedures for handling credit include:

1. Existence of a filing system to handle customers' files and update its information and documents on periodic basis.
2. Follow-up the execution of the credit facilities to make sure that everything is complying with the procedures, policies, laws and compliance regulations namely, the client's current financial position, existence of sufficient securities with coverage suitable to the current status of the customer, and the client's utilization of the facilities.
3. Follow up on utilization of credit limits, this task is made through a portfolio updated report submitted on periodical basis.
4. Internal credit rating of the client which helps in: granting financing and follow up its quality, facility pricing, determining credit portfolio characteristics and credit concentration, determining defaulting accounts and sufficiency of its provisions.
5. Periodic monitoring of any credit risk or defaulting sectors for business units to take the necessary action.
6. Issuing of periodic reports and advising Business Units and Management as needed.
7. Credit Risk Administration is an independent unit whose task consists of reviewing credit approval conditions, collaterals, facilities agreements, and all operational matters prior to releasing credit, inclusive of activating the approved limits and issuing periodic reports.

Existence of Sufficient Procedures to Monitor Credit Risks

Risk monitoring procedures include the following:

1. Internal controls to make sure that any exception or deviation in the credit policy or credit procedures and credit limits and / or regulations is reported.
2. A Collection Unit to detect defaulted credit at an early stage through generating a daily past dues report and advise the concerned business unit in order to avoid it in future.
3. Periodic review of the delegation of authority of those authorized to sign, and the associated documentation.
4. Updating the Bank's Credit Policy to develop it and improve it with the latest changes and variables to improve risk management.
5. The Bank conducts a regular periodic review of all the approved credit facilities granted as per its delegation to monitor its portfolio status, exposures, credit concentrations, and sector performance. The Bank also follows up on all credit facilities, increases in limits, and follows up and monitors completion of collateralization, and takes the necessary actions at the appropriate times. Moreover, non-active facilities are reviewed, as well as risk rating based exposures inclusive of all limits granted, and recommendations are made, if any, to the Board.
6. Risk Management establishes an area of common grounds with the business units in order to exchange information and create a risk aware culture that is aligned with the Bank's strategy.
7. Risk Management activities are ongoing and continually enhanced in line with the Bank's strategy.

Market Risks

The way the Bank handles market risk essentially did not change because it still relies on using the latest banking standards, depending on Qatar Central Bank regulations, and the principles of Basel II while using the expertise of internationally experienced staff.

To mitigate these risks, the bank diversifies its activities in different countries, sectors, products and client segments and takes proactive steps to manage these risks.

The relevant staff monitors several risks linked to the market such as foreign exchange risks, profit rates, pricing, liquidity, general investments, clients' deposits investments, commodities prices, liquidity and capital adequacy. Masraf Al Rayan issues internal reports on daily, weekly and monthly basis to the Management to assist in taking proper decisions and monitor the market risks as required.

These reports include daily reports such as reports on the market reaction and daily reports on the performance of the Qatar Exchange, a weekly report on the Treasury in addition to the monthly report to the Assets and Liabilities Committee (ALCO) which shows the budget position, banking ratios, and stress tests on budget, gap analysis in assets and liabilities. ALCO members are from the Senior

Management and this report is discussed in its monthly meeting where decisions are made and followed up.

Credit Limits for Banks and Countries
In compliance with Qatar Central Bank regulations, credit limits are recommended to be set for banks that Masraf Al Rayan has business relationships with as well as credit limits for countries as per their rating. The Board approves these limits and they are presented to the QCB. The latest approved limits were presented after their study under the prevalent market conditions, especially the difficulties in Europe, and subsequent recommendation as of October 2012.

Operational Risk

In its effort to mitigate the associated Operational Risks, the Bank applied policies, methodological procedures to evaluate and to monitor and to manage systems and to report any weakness therein. This includes effective segregation of tasks, restricting system access, and adopting effective procedures to delegate authority and to make reconciliations. In addition to continuous learning and education to employees, ongoing performance evaluation, and also having established a new advanced system to monitor and evaluate operational risk indicators, inclusive of the database and potential losses.

Mitigating Operational Risks
In an effort to encourage better risk management practices, MAR is keenly interested in efforts to better mitigate and manage operational risk. MAR has controls and programs in place to reduce the exposure, frequency, or severity of an event and hence, manage risk exposures. MAR controls are examined to know whether the control is truly reducing risk, or merely transferring exposure from the operational risk area to another business sector.

Operational Risk Department's Best Practices

- Achieving ISO 22301 through implementing international business continuity best practices.
- Maintaining ISO27001 certification for information technology security with successful periodic tests.
- Completing Internal Capital Adequacy Assessment Process (ICAAP) as per Basel I and Basel II in order to make it easier for the Board to continuously evaluate the risks faced by the Bank.
- Implementing an advanced firewall to guard against any fishing or hacking attempts.
- Implementing a comprehensive stress testing scenario and verifying the tests.
- Diverting unacceptable risks to the insurance policy.
- Installing anti-skimming devices on all ATMs and upgrading their operating systems.
- Implementing Vulnerability and Patch Management Systems in order to protect against network intrusions.
- Implementing the guidance of Basel II and Basel III as per Qatar Central Bank instructions.
- Protecting internal IT systems from phishing, spying, and hacking attempts through different layers of protection, such as an advanced firewall and intrusion detection systems.
- Compartmentalization of the network, whereby the production servers have been disconnected from the testing servers in order to secure information. Also separated the cards network from the IT central network as recommended by Payment Card Industry Data Security Standards (PCI-DSS).
- Implementation of a live monitoring system on the SWIFT network to intercept any transactions suspected of being related to Money Laundering or Financing of Terrorism.
- Upgrade of the CCTV network and the camera quality to increase image clarity as well as to increase storage as per QCB and Ministry of Interior instructions.
- Implementation of the advanced SAS Operational risk management system to manage all risk indicators including database and data loss risks.
- Setup of fraud monitoring unit to deal on a 24/7 basis with detection and prevention of fraud on ATM Cards and Credit Cards. The unit utilizes a preemptive approach to stop suspect transactions.
- Successfully participating in a Cyber Security Drill organized by the Supreme Council for Communications and Information Technology of Qatar (ictQatar).
- Protection of the Bank's valuable data in a preemptive manger to hedge against any emergency by keeping an extra copy of the important data at NavLink's Data Center in Nice, France.

Shareholder Rights

The Board of Directors of Masraf Al Rayan is keen to protect its Shareholders as per what is specified in related rules, regulations, and the Articles of Association; whereas each shareholder's share entitles them to the same rights as another Shareholder with the same amount without bias in their claim to the Bank's assets and/or in the divided profits as described in the Articles. It also allows Shareholders the right to use their voting rights via proxy.

Shareholder Register

The Information Technology Department of the Qatar Exchange maintains records of the Shareholders of its listed companies because Shareholder information changes constantly with each transaction. Masraf Al Rayan requests the information when needed and on specific dates, especially on the days of the Ordinary and Extraordinary General Assembly Meetings where this information is used to confirm attendance, voting, and distribution of profits.

Masraf Al Rayan recognizes the right of each Shareholder to obtain a copy of the following documents: register of Board Members, Memorandum of Association, Articles of Association, documents that give any privileges to certain Shareholders, related party agreements, and any other document noted by the Qatar Financial Markets Authority for a fee determined by them.

Accessing Information

Masraf Al Rayan provides its Shareholder information which has been obtained from Qatar Exchange upon request as per the rules, regulations, and related Articles and Corporate Governance guidelines. Similarly, other information is available on the internet on Masraf Al Rayan's electronic website www.alrayan.com for ease of access to the most important information for investors and clients.

Fair Treatment of Shareholders and Voting Rights

The Articles of Association of Masraf Al Rayan state that each Shareholder has the right to attend General Assembly meetings, Shareholders who are minors or interdicted may be represented by proxy via their legal representative or guardian, while entities that are Shareholders may delegate a person as an official legal representative via written delegation in compliance with legal precedents.

Shareholders who attend the General Assembly have the right to discuss the items on the Agenda, direct questions to the External Auditors, and the Board has to respond to the questions of the Shareholders in as much detail as possible that would not expose the Bank to any risks, and if the Investor deems the answer insufficient then they may revert to the General Assembly whose decision is mandatorily executable.

Furthermore, the Articles of Association of Masraf Al Rayan stipulate that each Shareholder has a number of votes that is equivalent to the number of Shares that they have.

Shareholders' Rights - Election of Board Members

Masraf Al Rayan is keen to apply the principle of giving Shareholders information about the candidates to the Membership of the Board before election, including a description of the candidates' skills, professional and technical experience, and other qualifications. Masraf Al Rayan has addressed the Qatar Central Bank for approval to add an article the Articles of Association that contains provisions to give Shareholders information about the candidates to the Membership of the Board before elections.

The subject of the election of the Members of the Board of Directors by cumulative voting remains governed by the approval of the Ministry of Economy and Commerce, which oversees elections of corporate boards to in its own way, according to the principle followed which is that each Shareholder has a number of votes equal to their number of Shares, noting this subject has been raised to the attention of the Ministry more than once.

Shareholders' Profit Distribution Rights

The distribution of profits is completely based on the financial results achieved by Masraf Al Rayan at the end of each year, in addition to compliance with the rules, regulations, and related guidance especially from Qatar Central Bank with respect to all forms of reserves (legal reserve, risk reserve, fair value reserve) the Board annually assesses different scenarios of which the best chosen and presented to the Ordinary General Assembly Meeting in detail showing the profits earned and their distribution. The General Assembly has the right to accept the recommendation or amend it.

Capital Structure, Shareholder Rights, and Significant Deals

Banks rely mainly in their income on lending to individuals and corporations, and Qatar Central Bank issues regulations on maximum credit limits whether for one deal or for cumulative volume of deals for each one client or one sector.

Masraf Al Rayan is committed to disclose the capital structure; Masraf Al Rayan has also addressed the Qatar Central Bank for approval to add an article to the Articles of Association that contains provisions for the protection of minority Shareholders in the event of the approval of the big deals where minority Shareholders have voted against.

Masraf Al Rayan also approached the Qatar Central Bank seeking approval to add a new article to the Articles of Association to include a mechanism to ensure that the launch of a sale to the public or the exercise of rights equality in the sale of shares, in the event of a material change in the ownership of the Bank that exceeds a specified percentage.

Other Stakeholders' Rights

The Corporate Governance Policy adopted by Masraf Al Rayan ensures fully respecting all parties to the transactions inclusive of stakeholders. The human resources policy ensures fairness and justice between employees without prejudice to race, gender, or religion. Management annually allocates bonuses to employees reciprocating the profits and their individual efforts using a methodical studied approach.

At the same time, the Whistleblower Protection Policy approved by the Board gives each employee the opportunity to deliver their complaints to Management without fear of reprisal or consequences and fully maintaining their rights. Masraf Al Rayan employees comply with a Code of Conduct (signed by each employee) that includes the business ethics.

Masraf Al Rayan's Corporate Social Responsibility

Masraf Al Rayan Believes in the importance of its Corporate Social Responsibility and is keen to support individuals and groups to practice their role in building a better society. Masraf Al Rayan is also keen on participating in public causes that are of concern to society, that involve protecting the environment, protection of natural resources, and avoiding damaging the environment. Masraf Al Rayan also supports healthy practices and supports sports, charity, and activities that benefit society and bolster national objectives.

Successfully shifted clients to electronic statements and other technological solutions in 2014, all of which contribute to reducing paper consumption, decrease waste of natural resources, and help save the environment. The Bank has also contributed to sports activities of El Jaish Club and Lukhwia Club. Moreover the Bank participated in the efforts of the Qatar Red Crescent. The Bank also sponsored the participation of Abu Bakr Secondary Boys School in the FIRST LEGO League, a robotics competition that introduces students to real world engineering challenges, which was held in Spain in 2014. Masraf Al Rayan has also participated in a blood donation drive in support of Hamad Medical Corporation. Furthermore, the Bank sponsored the Qatar National Sports Day under the slogan "for a better life".

The Bank has also participated in sponsoring the following events:

- Doha International Maritime Defense Exhibition and Conference 2014
- Qatar International Boat and Yacht Exhibition 2014
- The Euromoney Qatar Conference 2014
- Second edition of UITP Large Events Summit (International Association of Public Transport) 2014

Dr. Hussain Ali Al Abdullah
Chairman and Managing Director

BUSINESS OVERVIEW

Vision

To become the leading Islamic bank within Qatar and the World, by offering a broad spectrum of Sharia compliant products and services, through efficient and reliable channels, to all sectors of the market in which it operates; and to maintain its twin objectives of furnishing a high return on shareholder investment and satisfying its individual customers.

Mission

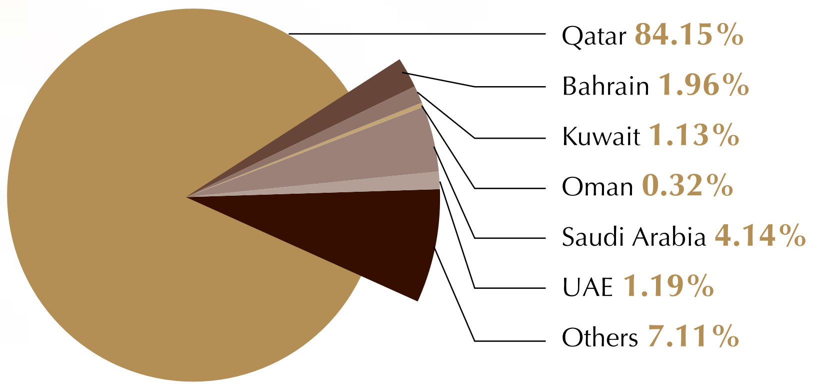
- To build a well-balanced financial institution across Retail, Wholesale, Advisory and Asset Management services.
- To provide market-leading financial services holding Shari'a principles at the heart of all activities.
- To build a solid and well recognized service delivery and brand distinction expertise.
- To become a market leader through expertise in financing, advisory services and international offerings.
- To build a strong franchise servicing both Islamic and conventional customers, first in the GCC and then beyond.
- To focus on product and service innovation delivered according to international standards.
- To maximize utilization of the large capital base and diverse shareholder ownership.

Strategy

- Connect the financial and real economies into one efficient capital allocation system
- Expand our commercial banking capabilities by increasing our footprint and penetrations through GCC.
- Develop new and innovative Shari'a-compliant products and services.
- Bridging Asia, Middle East and Europe in terms of trade and banking services.
- Aggressively pursue an organic and acquisition based expansion strategy.
- To prudently use Masraf Al Rayan's large capital foundation and its diverse shareholders' rights.
- environment that is conducive to improving individuals and groups that make up the society.

A Summary of MAR Shareholders' Information on December 31, 2014

Nationality	Shareholders	No of Shares	Percentage
Bahrain	23,190	14,742,705	1.96%
Kuwait	25,538	8,473,552	1.13%
Oman	8,386	2,394,145	0.32%
Qatar	57,985	631,096,256	84.15%
Saudi Arabia	74,901	31,021,700	4.14%
UAE	25,372	8,908,655	1.19%
Others	3,253	53,362,987	7.11%
Totals	**218,625**	**750,000,000**	**100.00%**



Masraf Al Rayan Group Companies

Name	Type of Investment	Nature of Business	Country	Ownership
Al Rayan Investment (ARI)	Subsidiary	Investment Banking	Qatar	100%
Al Rayan Financial Brokerage	Subsidiary	Brokerage House	Qatar	100%
Al Rayan Partners	Subsidiary	Real Estate Project	Qatar	100%
Al Rayan (UK) Limited	Subsidiary	Banking	United Kingdom	100%
Ci-San Trading W.L.L.	Associate	Trading	Qatar	50%
Kirnaf Installment Co.	Associate	Installment Financing	Saudi Arabia	48%
Linc Facility Services	Associate	Facilities Management	Qatar	33%
Daman Insurance	Associate	Insurance	Qatar	20%
Oman National Mass Housing	Associate	Real Estate Investment	Oman	20%

Masraf Al Rayan Business Lines, Products & Segments

A key banking player addressing all Shariah-compliant needs

	Retail Banking	Private Banking	Wholesale Banking	Investment Banking	Treasury
Products	• ATM • Call Center • Personal Finance • Housing Finance • Auto Finance • Goods Finance • Tasheel Al Rayan • Credit Card • Current Account • Savings Account • Time Deposits	• Private Banking • Investment planning • Asset management • Wealth protection • Credit planning and management • Cash management • Business planning (for private business owners)	• Direct Finance - *Murabaha, Mudharaba, Ijara, Istisna'a, Tawarruq* • Trade Finance - *Letters of Credit, Murabaha L/C, PB, APG, Tender Bonds, Finance Guarantees* - *Cash Management* - *Syndicated financing* - *Import financing* - *Inventory financing* - *Transaction banking*	• Asset Management • Financial Advisory • Institutional Sales • Investments and • Underwriting • Financial Brokerage	• Forex • Money-market • Hedging • Sukuk • Equity
Customers	• Individuals	• High net worth individuals	• Corporates • Banks & financial institutions • Government/ Semi govt. • SMEs • High net worth individuals	• Non-Banks and FIs • Banks & financial institutions • Government/ Semi govt. • High net worth individuals	• Corporates • Banks & financial institutions • Government/ Semi govt. • Private Sector • High net worth individuals

Masraf Al Rayan Branch Network

- **Grand Hamad Main Branch** - Grand Hamad Street, 4425 3333
- **Al Salam Branch** - Al-Shafi Street, Next to Q-Tel, Al Rayyan area, 4425 3162
- **City Center Branch** - City center, Doha, 1st floor, 4425 3171 / 4425 3177
- **Qatar University Branch** - Qatar University, Female Building, Food Court Area, 4425 3187 / 4425 3193
- **Salwa Road Branch** - Salwa Road, Next to Hyundai Showroom, 4425 3200 / 4425 3201
- **The Mall Branch** - The Mall Complex, Gate Number 2, 4425 3218
- **C -Ring Road Branch** - C Ring Road at the Financial Square, 4425 3243
- **Wathnan Mall Branch** - Wathnan Mall, North Muaither, Street number, 4425 3300
- **Al Wakra Branch** - Al Wakra Main Road, 4425 3286, Fax: 4425 3280
- **Qatar Olympic Committee Branch** - West Bay, Majlis Al-Taawon Street, Olympic Tower, Tel: 4425 3271, Fax: 4425 03274
- **Al Sadd Branch** - Al Sadd Street, Al Bustan Building

Retail Banking

Key drivers of our retail banking setup in 2014 was attributed to quality personalized service in branches and private banking, focus on value-based packages, e-banking initiatives, property takaful policy development & implementation, enhanced services and security measures in branch banking and alternative channels. During the year 2014 we continued to build on the momentum we achieved in 2013 and steadily moved towards our objective of being a 'bank for everyone' by making ourselves more accessible to our existing and prospective customers.

2014 witnessed an addition of 2 new dedicated ATMs to service customers with special needs. Also expanded our ATM network to 62 thereby further widening the reach. 2014 saw us taking a large step towards strengthening our ATM security features through anti-skimming modules. Customer choices were enhanced by expanding of automated, real-time deposit facilities on most of our ATM's thereby growing to 10 CDM (deposit) enabled ATM's.

In 2014, Masraf Al Rayan achieved International Bank Account Number (IBAN) compliance for all domestic and International funds transfers, developed and implemented an Initial Public Offering (IPO) application process readiness via retail online banking; Arabization of all mobile banking applications, and magnetic stripe activation solutions via MAR Website was also provided.

Throughout 2014 we continued to provide promotions and packages, in personal finance, vehicle finance and home finance covering Retail & Private banking customers. We also moved closer to our target of ensuring that our customers enjoy the convenience of our '24x7 total banking'. In this regard, we expanded the scope of our e-banking services and undertook important improvements in our SMS and telephone banking services. Our Call Centre service levels among the best in Qatar with excellent customer care indicators.

Throughout 2014 we managed to provide needed training at all branches, private banking & call-center to ensure that the risk-mitigants and service levels were ensured, as part of our long term human resource development strategy.

Since inception we have always inspired to be recognized as a trusted partner by our clientele. During 2014 the prime focus of our Private Banking Division continued to build sustainable and trustworthy relationships with our high net worth clients by offering them key advisory and consultancy services for all their investment and wealth management aspirations, resulted in most of our HNWI customers looking upon us as a trusted partner in their investment decisions.

During the year, a desk for our subsidiary Al Rayan Bank UK (formerly - Islamic Bank of Britain) was established at our Private Banking department with dedicated staff to support account related services.

We also expanded in enhancing our key loyalty initiatives by launching Masraf Al Rayan's Nojoom points program in partnership with our credit card customers. We continued to enhance our Takaful (Islamic Insurance) product for Property/Home Ijara Insurance with an exclusive tie-up arranged with Beema.

Wholesale Banking Group

We have always believed that the best way to build real sustainable value for our shareholders is to keep the interest of our clients first; through deep understanding of their business risks and opportunities in the context of local, regional and global economies.

Through the expertise and continuous seamless efforts of Masraf Al Rayan Senior Management and wholesale banking relationship management team in understanding the business and industry dynamics vis-à-vis the client needs, we continued in 2014 to offer tailor made solutions to our clients and strategic partners, who are among the key players in contributing to the growth and development of the State of Qatar and the regional economies.

Masraf Al Rayan Transaction Banking and Cash Management products worked in 2014 to deliver to Masraf Al Rayan's customers ways to improve their day to day management of funds and visibility of information flows, consistency in terms of processing, and efficiency in terms of cost and automation. Our customers have become increasingly receptive to cash management models to enhance finance functions, increase transactional efficiency and improve profitability. They looked throughout 2014 to Masraf Al Rayan for compelling value propositions and be their one stop financial institution to provide broader array of services & products.

In 2014, we continued our strategy to ensure sustainable growth. We remained fully committed to finance government, quasi government and private sector business entities on their quest to support core infrastructure projects and other initiatives in various sectors of the State of Qatar's real economy, such as Transportation & Aviation, Health care, Telecom, Sports, Water and Electricity, Real Estate Trade, Financial Services, Energy, Petrochemical, Media, Manufacturing, and Contracting etc.

In 2014 we have already won couple of mandates to finance mega infrastructure projects, and we worked with many of our top tier clients to finance many major upcoming projects.

We continued to diversify our income base into various economic sectors working together with our treasury, investment, asset management, retail, private banking, and wealth management teams. It was by investing with the right expertise, we delivered a full range of both cross-border and local banking solutions in cash management, trade finance, foreign exchange, profit rate hedging, asset management, capital markets, Sukuk and structured finance, securitization, corporate finance & Equity advisory, placement and acquisition financing solutions.

Going forward, as always, we are planning to be highly vigilant and conscious of the risks we take with our clients to mitigate them to build sustainable value for all our stakeholders.

Service Quality

In line with Masraf Al Rayan strategy, the Service Quality Department was established in 2011 to enhance customer experience and satisfaction across all channels and departments. In line with its primary focus on its mission and objectives, the Service Quality department initiated, developed and accomplished several innovative milestones during the past years to ensure achieving and sustaining customer service excellence.

Part of its long term strategy, the Service Quality Department produced Masraf Al Rayan's Service Quality Index (SQI) to be utilized by its two established Sub-Units; the Quality Assurance Unit and Quality Control Unit to manage the Voice of Customer (VOC) System, a process designed to capture customers' expectations, preferences and aversions, and also the Voice of Business (VOB) System to capture the bank's own business needs, expectations and preferences of all other stakeholders.

In 2014, we developed a series of a activities engineered to measure, continuously improve and monitor the Voice of Customer (VOC) process, such as the monthly Mystery Shopper, annual Customer Satisfaction Survey, Branch Evaluation Visits, Call Evaluations, Knowledge Management Program and Customer Management System (CMS) which was upgraded to the latest version to capture customers complaints, requests, disputes, leads, suggestions and appreciations.

In addition, the Service Quality Department initiated the "Improvement Program" which is a gap-analysis mechanism intended to advance the Voice of Business (VOB). The program has been designed to review, identify gaps, analyse processes, procedures and systems in order to constrict internal controls, mitigate risks, increase efficiency and compliance using International best practices.

The "Improvement Program" included the development of End-to-End Standard Operating Procedures (SOPs) along with Service Level Agreements (SLAs), Turnaround Time (TAT), User Manuals and Process Flow Maps in most of departments of the Bank.

Customer Relationship Management system (CRM) was installed to identify and track customer requests through different departments and channels with automation capabilities that increased the process efficiency and effectiveness.

The Service Quality Department will continue in 2015 and the coming years to seek better business solutions through adopting innovative plans to improve the overall customer satisfaction experience process in Masraf Al Rayan.

Mission:
To provide the highest quality of customer service standards, enhance customer experience across all touch points and build long term relationships with customers

Objectives

- To meet the expected perceived needs of our customers and direct the bank towards a "Customer Focus Strategy".
- Ensure customer satisfaction and improve process efficiency & effectiveness across all customer touch points by ensuring high Service Standards, Standard Operating Procedures, Service Level Agreements and Automation.
- Standardization of customer communication in all channels to meet the expected perceived needs of our customers
- Coaching staff on Service Quality related standards, initiatives and improvements to meet customer expectations.
- Continuously monitor, analyze, report and train on Service Quality related issues to improve customer experience across Masraf Al Rayan.

Human Resources

During 2014, the Human Resources Department continued to focus on individual own abilities and competencies. Many development programs and reward projects based on international standards were designed and implemented. The department continued its tradition of recognizing long serving employees by holding the annual honorary dinner to celebrate their long standing relationship with the bank, by recognizing 40 employees whom by 2014 had served over 5 years with Masraf Al Rayan. A group of outstanding Qatari staff were rewarded at the event, for successfully completing their accreditation as “Certified Manager” from the distinct American James Madison University.

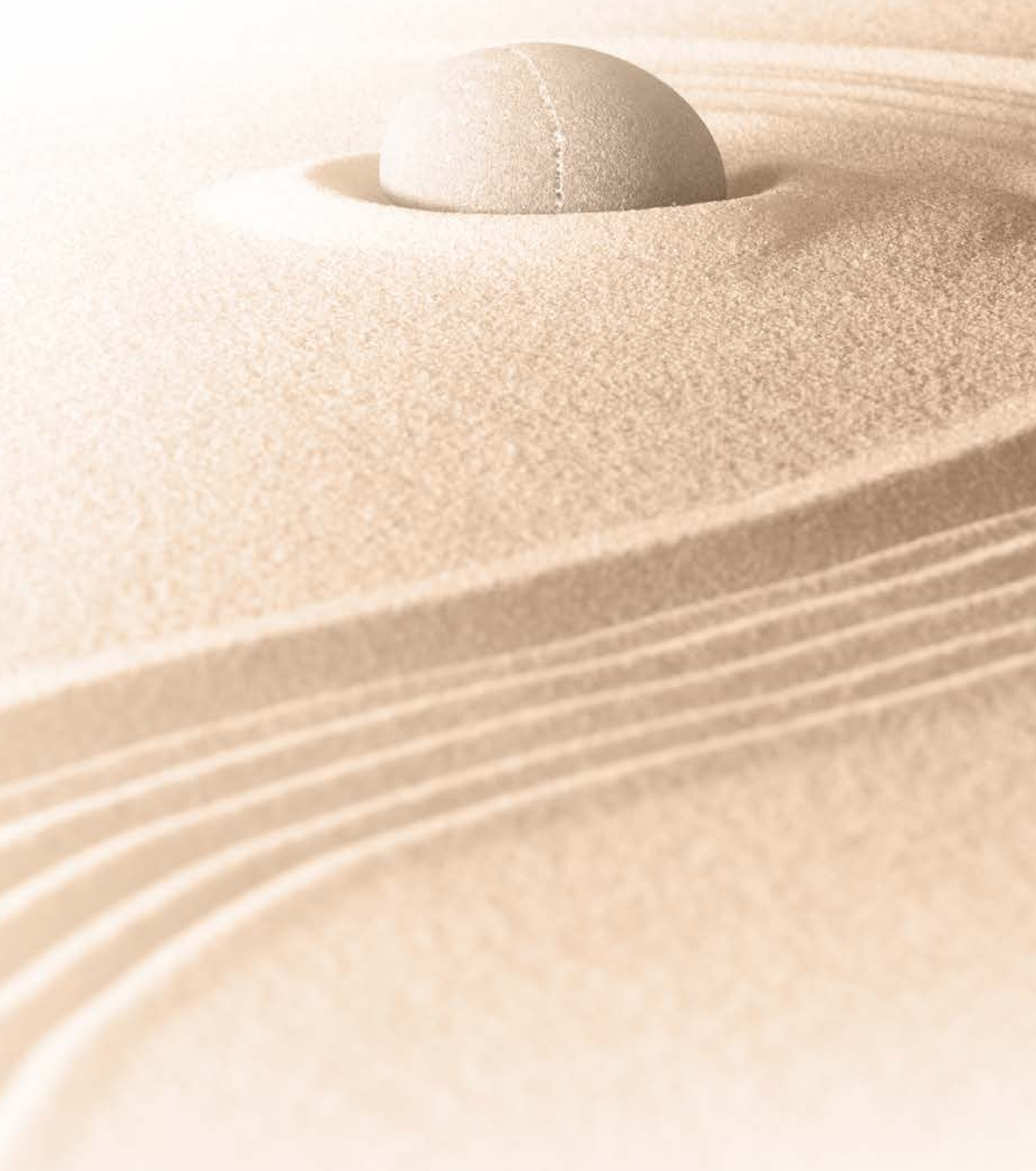
In 2014, the department worked constantly to attract young talent and trained them in order to hire them within the bank’s different divisions. A special budget was assigned to execute many training and development schemes for the new hires,an example is the “Talent Programs”, in addition to the effort exerted throughout the year to create and maintain a healthy working environment to encourage and retain them.

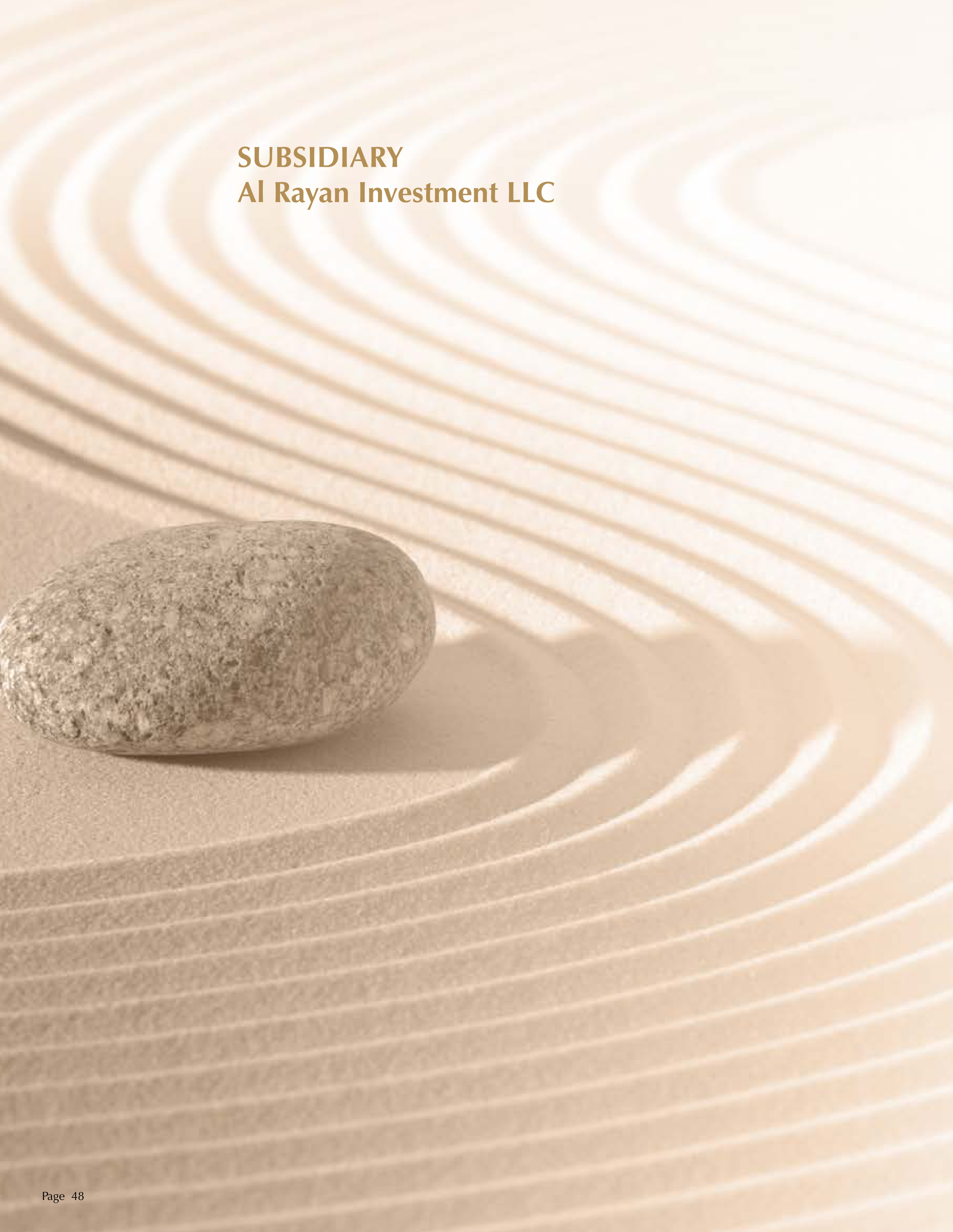
Our solid partnership with the Ministry of Labor and the leading Universities in Qatar has contributed in all of our Qatarization initiatives. In 2014 Masraf Al Rayan was strongly presented through its Human Resources department in many Career Fairs; at different Universities. Applications presented to us were used as an additional resource to recruit National staff.

Responding to its the call to serve humanitarian needs through its well-established social responsibility policy Masraf Al Rayan in coordination with the Red Crescent conducted a Blood Donation Campaign where all MAR staff were invited to participate and also celebrated the Qatar National Sports Day by the bank’s employees and their families.

Credit Rating

In 2014, Moody’s Investor Services maintained the rating of issuance in local and foreign currencies of Masraf Al Rayan which was lifted previously from A3/Prime2 up to A2/Prime1, and the future outlook is stable for all its long term ratings. Which reflects Masraf Al Rayan’s low risk self-sustaining profile of excellent quality of assets, robust capital & liquidity buffers and a strong partnership with the public sector.





SUBSIDIARY
Al Rayan Investment LLC

Vision
To become the region's leading Sharia-compliant investment bank

Mission
Invest in developing a wide product suite that caters to the growing demand for Islamic Finance products

Values
Invest in people to nurture an environment fostering teamwork to achieve excellence

Ethos
Adhering to Islamic ethico-legal principles in all aspects of our business

Divisions
- Asset Management Group
- Financial Advisory Group
- Strategic Investments

During 2014, we continued the momentum achieved in, 2011 & 2012, 2013 and made further progress towards establishing ourselves as a trustworthy and reliable investment partner of the Qatari economy.

We made significant progress in linking the real economy with Islamic finance and were instrumental in establishing an investment-banking platform in the Qatari and the GCC markets with growth in both our Asset Management and Advisory business.

Asset Management Group
After registering 23% growth in Assets under Management (AuM) in 2013, 2014 was an extraordinary year with AuM growing 70% to over QAR 3 billion from a combination of performance and new investor mandates. Our investment focus remains Sharia-compliant GCC equities and sukuk. We are committed to attracting high net worth and institutional investors (sovereign wealth funds, insurance companies, corporates, etc) from within the region and globally. ARI manages Masraf Al Rayan's flagship Al Rayan GCC Fund which remains the largest mutual fund based in Qatar; it returned 42% in the 24 months to December 2014 versus the GCC market up 5%.

Our prudent investment philosophy and robust processes, combined with dynamic risk management and impressive returns have resulted in further external recognition. In 2014, ARI was named 'Qatar Asset Manager of the year' by MENA Fund Manager magazine, an award determined by a panel of independent industry experts.

Financial Advisory Group
2014 was another successful year for the Financial Advisory Group, where we continued to build on our achievements from the years before. We kept clear focus on our key lines of the advisory business including Corporate Mergers and Acquisitions, Equity and Debt Capital Markets and Corporate Finance. In 2014 we have actively participated in various Sukuk transactions and acted as Joint Lead Manager for Al Hilal Bank Tier 1 Sukuk, Joint Bookrunner for Dar Al Arkan 5 year Sukuk. Our Financial Advisory Group aims to be the trusted advisor of our local clients.

SHARI'A SUPERVISORY BOARD REPORT

for the year ended December 2014

Blessings be upon His prophet, his family, his companions and those who followed him,

Masraf Al Rayan Sharia'a Supervisory Board has reviewed the products and operational activities presented to it as well as 2014 Masraf Al Rayan financial and income statements and are of the opinion that the latter do not contravene with Sharia rulings.

The Board also supervised Masraf Al Rayan operations which provided reasonable assurance of the proper implementations of its pronouncements, and is of the opinion that they are in compliance with the Board's regulations.

Praise be to Allah.

His Eminence
Sheikh Dr. Waleed Bin Hadi
Chairman of Shari'a Supervisory Board

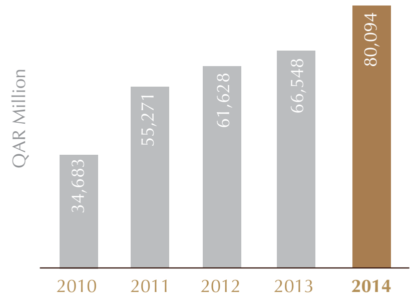
His Eminence
Sheikh Dr. Abdull Sattar Abu Ghuddah
Member of Shari'a Supervisory Board

His Eminence
Sheikh Dr. Mohamed Ahmeen
Member of Shari'a Supervisory Board

SUMMARY OF FINANCIAL STATEMENTS

As at 31 December 2014

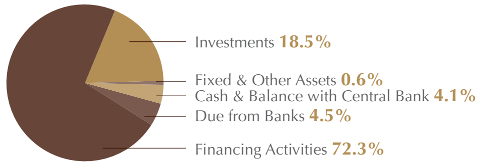
Total Assets



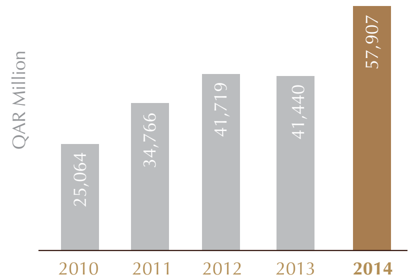
Highlights

5 YEARS COMPOUND ANNUAL GROWTH RATE (CAGR)	23.27%
GROWTH FOR THE YEAR	20.36%
CAPITAL ADEQUACY RATIO	18.36%
RETURN ON ASSETS	2.50%

WEIGHT OF ASSET CATEGORIES



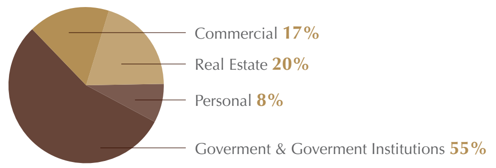
Financial Activities



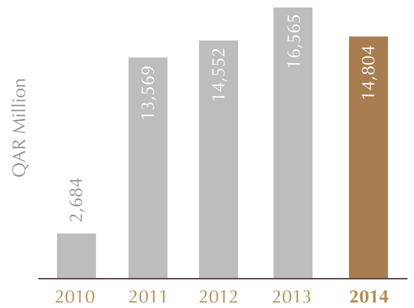
Highlights

5 YEARS COMPOUND ANNUAL GROWTH RATE (CAGR)	23.29%
GROWTH FOR THE YEAR	39.74%
NON PERFORMING LOANS RATIO (NPL)	0.09%

BREAKDOWN BY SECTORS



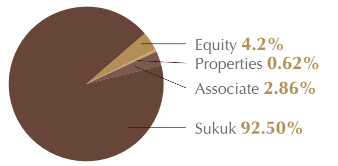
Investments



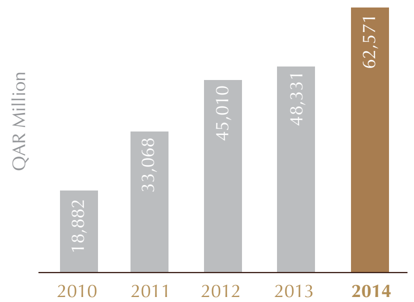
Highlights

5 YEARS COMPOUND ANNUAL GROWTH RATE (CAGR)	53.3%
GROWTH FOR THE YEAR	-10.6%
SOVEREIGN SUKUK	90.9%

BREAKDOWN OF INVESTMENTS BY TYPE



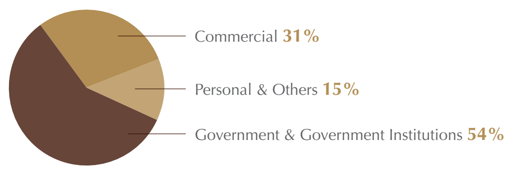
Customer's Deposits



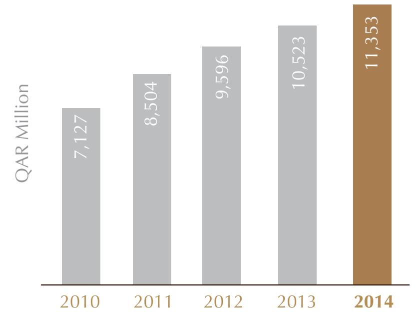
Highlights

5 YEARS COMPOUND ANNUAL GROWTH RATE (CAGR)	34.9%
GROWTH FOR THE YEAR	29.5%

BREAKDOWN OF CUSTOMERS' DEPOSITS BY SECTOR



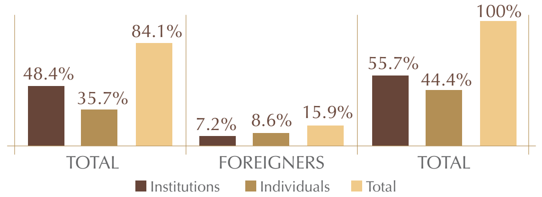
Equity Pre Appropriation



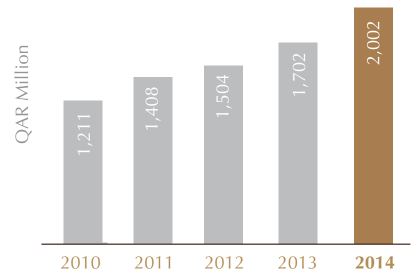
Highlights

5 YEARS COMPOUND ANNUAL GROWTH RATE (CAGR)	12.3%
GROWTH FOR THE YEAR	7.9%
BOOK VALUE PER SHARE	QAR 15.14
RETURN ON EQUITY	19.0%

OWNERSHIP BY NATIONALITY



Net Profit



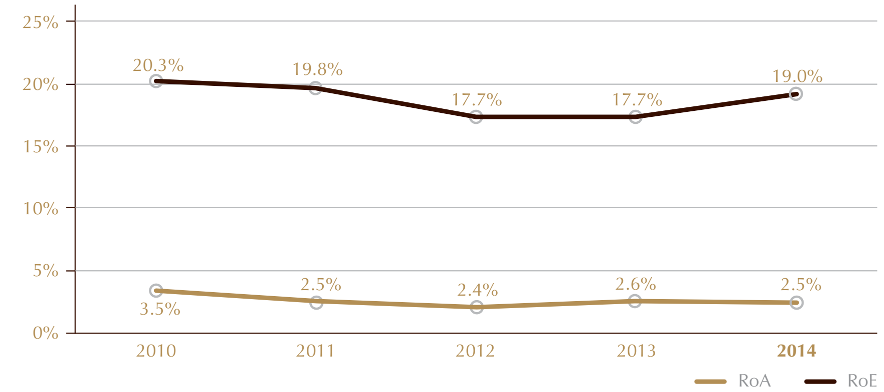
Highlights

5 YEARS COMPOUND ANNUAL GROWTH RATE (CAGR)	13.4%
GROWTH FOR THE YEAR	17.6%
EARNINGS PER SHARE	QAR 2.67

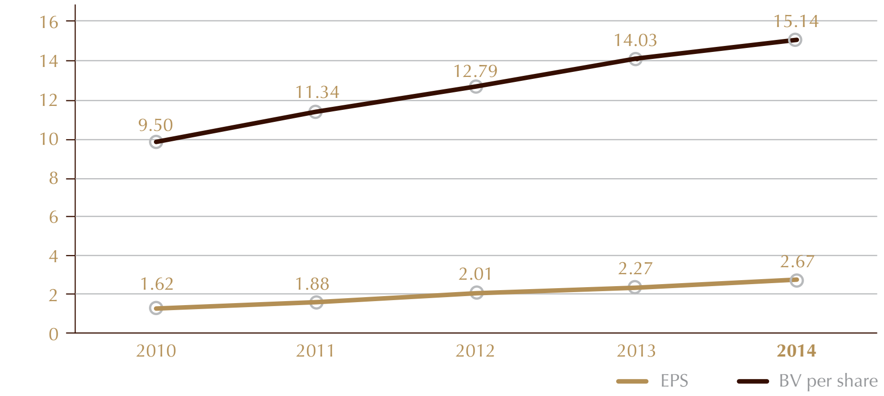
INCOME TO EXPENSES RATIOS

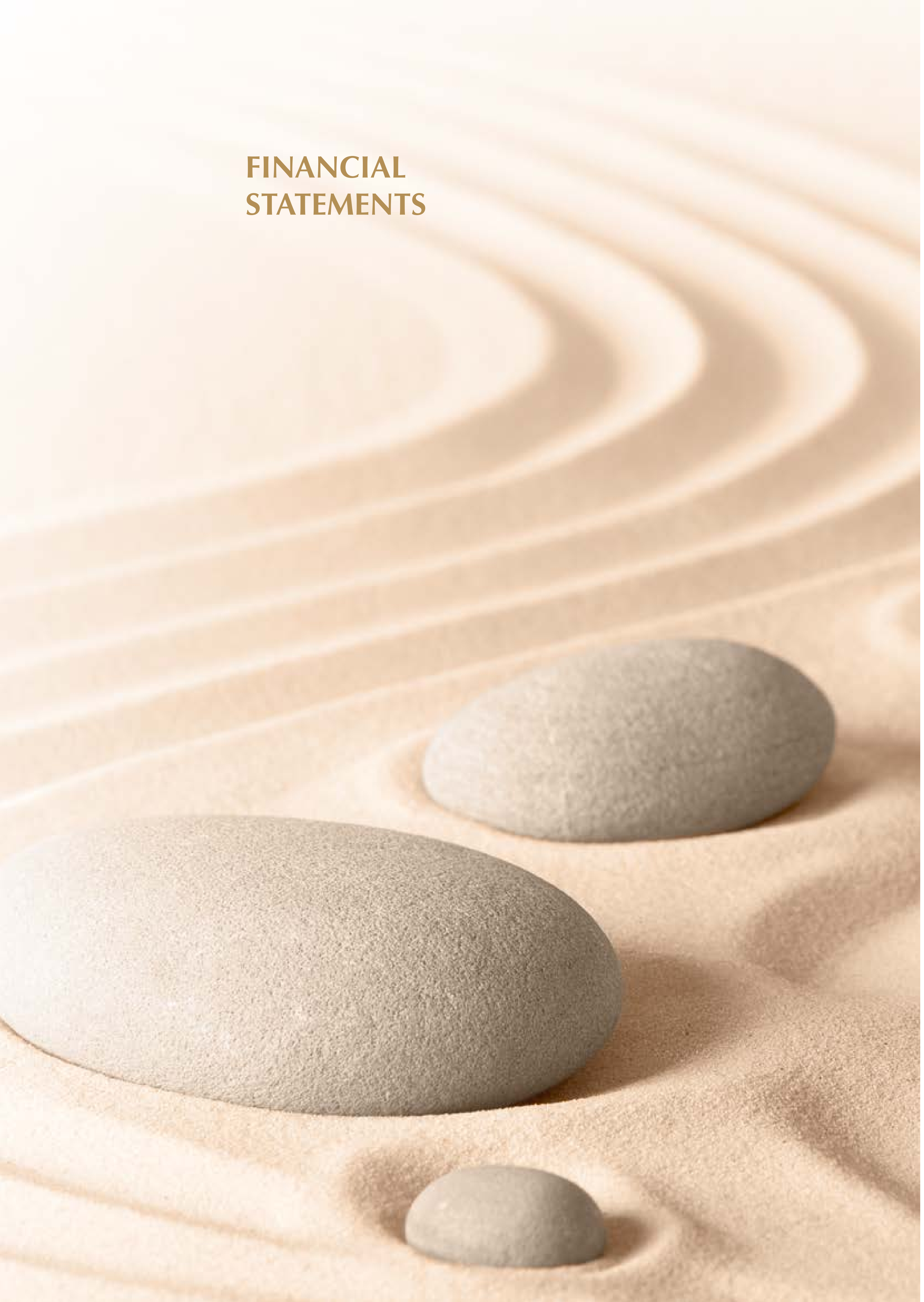
	2014	2013
Operating Income	**100.0%**	**100.0%**
General & Administrative expenses	(15.6)%	(14.9)%
Finance expenses	(1.8)%	(2.9)%
Impairment losses	(0.4)%	0.4%
Minority Interest	(0.5)%	(1.4)%
Profit for Accounts & Equity holders	**81.7%**	**81.2%**
Share of profit to Account holders (customers)	(20.3)%	(21.8)%
Share of profit to Equity holders of the Bank	**61.3%**	**59.4%**

Profitability Ratios



Book Value and EPS





INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MASRAF AL RAYAN (Q.S.C.)

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Masraf Al Rayan 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 2014, the consolidated income statement and consolidated statements of changes in owners' equity, cash flows and restricted investment account for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Respective responsibilities of the Board of Directors and Auditors
These consolidated financial statements and the Group's undertaking to operate in accordance with Islamic Shari'a rules and principles are the responsibility of the Board of Directors of the Bank. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2014, and the results of its operations, changes in owners' equity, cash flows and changes in restricted investment account for the year then ended in accordance with the Financial Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions, the Shari'a rules and principles as determined by the Shari'a Supervisory Board of the Bank and the applicable provisions of Qatar Central Bank regulations.

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

26 January 2015
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

QAR '000s

	Notes	2014	2013
ASSETS			
Cash and balances with Qatar Central Bank	9	3,311,311	3,510,514
Due from banks	10	3,602,772	4,334,667
Financing assets	11	57,906,940	41,440,198
Investment securities	12	14,288,311	15,016,627
Investment in associates and joint arrangements	13	423,998	1,457,278
Investment property	14	91,250	91,250
Fixed assets	15	119,236	55,283
Other assets	16	350,450	641,820
TOTAL ASSETS		**80,094,268**	**66,547,637**
LIABILITIES			
Due to banks	17	4,560,293	6,765,067
Customer current accounts	18	4,878,252	3,514,402
Other liabilities	19	1,242,922	746,906
TOTAL LIABILITIES		**10,681,467**	**11,026,375**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**20**	**57,692,301**	**44,816,865**
OWNERS' EQUITY			
Share capital	21	7,500,000	7,500,000
Legal reserve	21	1,033,195	632,746
Risk reserve	21	1,008,646	875,414
Fair value reserves	21	28,805	26,888
Foreign currency translation reserve	21	63	-
Other reserves	21	41,165	26,809
Retained earnings		1,740,641	1,461,491
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**11,352,515**	**10,523,348**
Non-controlling interests	22	367,985	181,049
TOTAL OWNERS' EQUITY		**11,720,500**	**10,704,397**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**80,094,268**	**66,547,637**

These consolidated financial statements were approved by the Board of Directors on 26 January 2015 and were signed on its behalf by:

Dr. Hussain Ali Al Abdulla
Chairman and Managing Director

Adel Mustafawi
Group Chief Executive Officer

The attached notes 1 to 40 form an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

QAR '000s

	Notes	2014	2013
Net income from financing activities	23	2,101,135	1,743,004
Net income from investing activities	24	470,947	709,468
Total net income from financing and investing activities		**2,572,082**	**2,452,472**
Fee and commission income		217,117	148,263
Fee and commission expense		(1,522)	(1,244)
Net fee and commission income	**25**	**215,595**	**147,019**
Foreign exchange gain	26	86,751	60,408
Share of results of associates	13	9,613	7,943
Gain on sale of investment in an associate	13	186,143	-
Other income	27	7,435	13,865
TOTAL INCOME		**3,077,619**	**2,681,707**
Staff costs	28	(262,790)	(228,672)
Depreciation	15	(16,112)	(16,049)
Other expenses	29	(199,990)	(154,956)
Finance expense		(55,044)	(77,774)
TOTAL EXPENSES		**(533,936)**	**(477,451)**
Net (impairment losses) / recoveries and reversals on financing assets	11(b)	(12,394)	11,332
Net impairment losses on investment securities	12	(508)	(1,157)
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**2,530,781**	**2,214,431**
Less: Return to investment account holders	20	(511,474)	(475,366)
PROFIT FOR THE YEAR BEFORE TAX		**2,019,307**	**1,739,065**
Tax expense		(2,116)	-
NET PROFIT FOR THE YEAR		**2,017,191**	**1,739,065**
Net profit for the year attributable to:			
Equity holders of the Bank		2,002,243	1,702,270
Non-controlling interests		14,948	36,795
		2,017,191	**1,739,065**
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	33	**2.670**	**2.270**

The attached notes 1 to 40 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER

QAR '000s

	Share capital	Legal reserve	Risk reserve	Fair value reserves	Foreign currency translation reserves	Other reserves	Retained earnings	Total equity attributable to equity holders of the Bank	Non-controlling interests	Total owners' equity
Balance at 1 January 2014	**7,500,000**	**632,746**	**875,414**	**26,888**	**-**	**26,809**	**1,461,491**	**10,523,348**	**181,049**	**10,704,397**
Change in foreign currency translation reserve	-	-	-	-	(38,757)	-	-	(38,757)	-	(38,757)
Net gain on hedging of net investment in a foreign subsidiary	-	-	-	-	38,820	-	-	38,820	-	38,820
Fair value reserve movement	-	-	-	1,917	-	-	-	1,917	-	1,917
Profit for the year	-	-	-	-	-	-	2,002,243	2,002,243	14,948	2,017,191
Dividend declared and approved for 2013	-	-	-	-	-	-	(1,125,000)	(1,125,000)	-	(1,125,000)
Transfer to legal reserve	-	400,449	-	-	-	-	(400,449)	-	-	-
Transfer to risk reserve	-	-	133,232	-	-	-	(133,232)	-	-	-
Transfer to other reserves	-	-	-	-	-	14,356	(14,356)	-	-	-
Social and sports fund appropriation	-	-	-	-	-	-	(50,056)	(50,056)	-	(50,056)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	171,988	171,988
Balance at 31 December 2014	**7,500,000**	**1,033,195**	**1,008,646**	**28,805**	**63**	**41,165**	**1,740,641**	**11,352,515**	**367,985**	**11,720,500**
Balance at 1 January 2013	**7,500,000**	**292,292**	**787,141**	**9,244**	**-**	**18,866**	**988,448**	**9,595,991**	**138,074**	**9,734,065**
Fair value reserve movement	-	-	-	17,644	-	-	-	17,644	-	17,644
Profit for the year	-	-	-	-	-	-	1,702,270	1,702,270	36,795	1,739,065
Dividend declared and approved for 2012	-	-	-	-	-	-	(750,000)	(750,000)	-	(750,000)
Transfer to legal reserve	-	340,454	-	-	-	-	(340,454)	-	-	-
Transfer to risk reserve	-	-	88,273	-	-	-	(88,273)	-	-	-
Transfer to other reserves	-	-	-	-	-	7,943	(7,943)	-	-	-
Social and sports fund appropriation	-	-	-	-	-	-	(42,557)	(42,557)	-	(42,557)
Net movement in non-controlling interests	-	-	-	-	-	-	-	-	6,180	6,180
Balance at 31 December 2013	**7,500,000**	**632,746**	**875,414**	**26,888**	**-**	**26,809**	**1,461,491**	**10,523,348**	**181,049**	**10,704,397**

The attached notes 1 to 40 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER

QAR '000s

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		2,019,307	1,739,065
Adjustments for:			
Net impairment losses / (recoveries) on financing assets	11(b)	12,394	(11,332)
Impairment loss on investment securities	12	508	1,157
Fair value gain on investment securities carried as fair value through income statement	24	(3,576)	(22,597)
Depreciation	15	16,112	16,049
Net gain on sale of investment securities	24	(26,242)	(21,728)
Dividend income	24	(20,141)	(8,387)
Share of results of associates and joint arrangements	13	(9,613)	(7,943)
Gain on sale of investment in an associate	13	(186,143)	-
Amortisation of premium and discount on investment securities		(2,745)	(404)
Employees' end of service benefit provisions	19(a)	7,462	6,126
Profit before changes in operating assets and liabilities		**1,807,323**	**1,690,006**
Change in reserve account with Qatar Central Bank		(478,216)	(297,203)
Change in financing assets		(14,980,600)	290,350
Change in other assets		304,083	(241,624)
Change in due to banks		(2,204,774)	381,190
Change in customer current accounts		1,116,401	1,011,663
Change in other liabilities		13,778	112,620
		(14,422,005)	**2,947,002**
Dividend received		20,141	8,387
Employees' end of service benefits paid	19(a)	(1,884)	(1,486)
Tax paid		(451)	(1,559)
Net cash (used in) / from operating activities		**(14,404,199)**	**2,952,344**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(17,917,763)	(3,486,569)
Proceed from sale/redemption of investment securities		20,335,642	1,542,410
Acquisition of fixed assets	15	(77,888)	(10,313)
Dividend received from an associate	13	5,408	-
Investment in associates	13	-	1,000
Investment in a subsidiary	8	(140,339)	-
Net cash from (used in) investing activities		**2,205,060**	**(1,953,472)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		10,734,490	2,309,245
Dividends paid		(998,797)	(660,981)
Net movement in non-controlling interest		164,634	6,180
Net cash from financing activities		**9,900,327**	**1,654,444**
Net (decrease) increase in cash and cash equivalents		(2,298,812)	2,653,316
Cash and cash equivalents at 1 January		5,571,863	2,918,547
Cash acquired from business combination	34	889,435	-
Effects of exchange rate changes on cash and cash equivalents held		63	-
Cash and cash equivalents at 31 December	**34**	**4,162,549**	**5,571,863**

The attached notes 1 to 40 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER

QAR '000s

	At 1 January 2014			Movements during the year			At 31 December 2014		
	No. of Units	Value per unit in QAR	Total Value	Gross income	Profit Paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total Value
Wakil and Muakil	1	2,518,381	2,518,381	157,399	(146,906)	10,493	-	-	-

	At 1 January 2013			Movements during the year			At 31 December 2013		
	No. of Units	Value per unit in QAR	Total Value	Gross income	Profit Paid	Bank's fee as an agent	No. of Units	Value per unit in QAR	Total Value
Wakil and Muakil	1	2,518,381	2,518,381	229,173	(213,894)	15,279	1	2,518,381	2,518,381

The attached notes 1 to 40 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2014

QAR '000s

1. REPORTING ENTITY

Masraf Al Rayan (Q.S.C.) ("Masraf" or "the Bank") is an entity domiciled in the State of Qatar and was incorporated on 4 January 2006 as a Qatari Public Shareholding Company under Article 68 of Qatar Commercial Companies' Law No. 5 of 2002, under decision No. 11 of 2006. The commercial registration number of the Bank is 32010. The address of the Bank's registered office is at P.O. Box 28888, Grand Hamad Steet, Doha, Qatar. The consolidated financial statements of the Bank for the year ended 31 December 2014 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Group is primarily involved in Islamic banking, financing, investing and brokerage activities, and has 12 branches in Qatar. The Parent Company / Ultimate Controlling Party of the Group is Masraf Al Rayan.

The principal subsidiaries of the Group are as follows:

Entity's name	Country of incorporation	Entity's capital	Entity's activities	Effective percentage of ownership	
				2014	2013
Al Rayan Investment L.L.C.	Qatar	USD 100,000,000	Investment banking	100.0%	100.0%
Al Rayan Financial Brokerage	Qatar	QAR 50,000,000	Financial brokerage	100.0%	100.0%
Al Rayan GCC Fund (F)	Qatar	Not applicable***	Investment activities	48.6%	56.4%
Al Rayan GCC Fund (Q)	Qatar	Not applicable***	Investment activities	16.6%	26.7%
Al Rayan (UK) Limited	UK	GBP 100,000,000	Investment activities	100.0%	-
Al Rayan Partners*	Qatar	QAR 10,000,000	Real estate consulting	100.0%	100.0%
Al Rayan Bank (formerly known as Islamic Bank of Britain PLC)**	UK	GBP 121,218,700	Islamic Banking	98.34%	-

* Effective 3 April 2014, the ownership was transferred from Al Rayan Investment L.L.C. to Masraf Al Rayan (Q.S.C.)
** Subsidiary of Al Rayan (UK) Limited (Note 8)
*** Open-ended funds (The Bank consolidates the Al Rayan GCC Funds even though the holding is less than 50% as it has power to govern the financial and operating policies of the Funds with the objective of obtaining benefits from its operations)

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Bank and relevant laws and the applicable provisions of Qatar Central Bank ("QCB"). For matters for which no AAOIFI standards exist, the Group applies the relevant International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of financial investments classified as "investments at fair value through equity", "investments at fair value through income statement" and derivative financial instruments.

(c) Functional and presentational currency

The consolidated financial statements are presented in Qatari Riyals ("QAR"), which is the Bank's functional and presentational currency, and all values are rounded to the nearest QAR thousand except when otherwise indicated. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

QAR '000s

2. BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with FAS requires management to make judgments, 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 judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is generally assumed when the Group holds, directly or indirectly, majority of the voting rights of the entity. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) 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 financing transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates an SPE:

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

The assessment of whether the Group has control over an SPE is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the SPE, or additional transactions between the Group and the SPE. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the SPE and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and

QAR '000s

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(ii) Special purpose entities (continued)

circumstances. Where the Group's voluntary actions, such as financing amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and an SPE, the Group performs a reassessment of control over the SPE.

(iii) Loss of control

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary.

Any surplus or deficit arising on the loss of control is recognized in the consolidated income statement. If the Group retains any interests in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(iv) Non-controlling interests

Interests in the equity of subsidiaries not attributable to the parent are reported in consolidated statement of financial position in owners' equity. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profits or losses attributable to non-controlling interests. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in owners' equity. Gains or losses on disposals to non-controlling interests are also recorded in owners' equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognised in owners' equity in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other equity are reclassified to consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in equity is reclassified to consolidated income statement where appropriate.

(v) Transactions eliminated on consolidation

Intra-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Associates and joint arrangements (equity-accounted investees)

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.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(vi)Associates and joint arrangements (equity-accounted investees) (continued)

Investments in associates and joint venture are accounted for under the equity method and are recognised initially at cost. The cost of the investment includes transaction costs. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The financial statements include the Bank's share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Bank, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Bank's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Bank's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vii) Fund management

The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial results of these entities are included in these consolidated financial statements when the Group controls the entity.

(b) Foreign currency

(i) Foreign currency transactions and balances

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

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

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

(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 equity.

Exchange differences arising from the above process are reported in owners' equity as 'foreign currency translation reserve'.

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 owners' equity, and presented in the foreign exchange translation reserve in owners' equity.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities

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

(i) Classification

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

Debt-type instruments

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

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

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

Equity-type instruments

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

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

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

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

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

(ii) Recognition and de-recognition

Investment securities are recognised at the trade date i.e. the date that the Group contracts to purchase or sell the asset, at which date the Group becomes party to the contractual provisions of the instrument.

Investment securities are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risk and rewards of ownership.

(iii) Measurement

Initial recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Investment securities (continued)

(iii) Measurement (continued)

Subsequent measurement

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

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

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

(iv) Measurement principles

Amortised cost measurement

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

Fair value measurement

Fair value is the amount for which an asset could be exchanged or an obligation settled between well informed and willing parties (seller and buyer) in an arm's length transaction. The Group measures the fair value of quoted investments using the market closing price for that instrument. For unlisted investments, the Group recognises any increase in the fair value when they have reliable indicators to support such an increase and to evaluate the fair value of these investments. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between willing and informed parties.

(d) Financing assets

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

Murabaha and Musawama

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financing assets (continued)

Mudaraba

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

Musharaka

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

Ijarah

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

Istisna'a

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

Istisna'a revenue is the total price agreed between the seller and purchaser including the Bank's profit margin. The Bank recognises Istisna'a revenue and profit margin based on percentage of completion method by taking in account the difference between total revenue (cash price to purchaser) and Bank's estimated cost. The Bank's recognises anticipated losses on Istisna'a contract as soon as they are anticipated.

Wakala

Wakala contracts represent agency agreements between two parties. One party, the provider of funds (Muwakkil) appoints the other party as an agent (Wakeel) with respect to the investment. The Bank initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

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

(e) Other financial assets and liabilities

(i) Recognition and initial measurement

The Group initially recognises due from banks, financing assets, customer current accounts, due to banks, and financing liabilities 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 income statement, transaction costs that are directly attributable to its acquisition or issue.

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

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Other financial assets and liabilities (continued)

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

The Group de-recognises 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 de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the consolidated statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated income statement.

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

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

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

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

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

(f) Impairment of financial assets

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

Equity-type investments classified as fair value through equity

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Impairment of financial assets (continued)

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

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

(g) Cash and cash equivalents

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

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

(h) Investment property

Investment property comprises completed property and property under construction or re-development held to earn rentals or for capital appreciation or both.

Investment property is measured at cost including transaction costs. Transaction costs include transfer taxes, professional fees or legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset in the previous full period financial statements.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

(i) Risk management instruments

Risk management instruments are measured at fair value on the consolidated statement of financial position.

The Group's risk management instruments include forward exchange contracts and profit rate swaps. After initial recognition at transaction prices, being the best evidence of fair value upon initial recognition, risk management instruments are subsequently measured at fair value. Fair value represents quoted market price or internal pricing models, as appropriate. The resulting gains or losses are included in the consolidated income statement, except for forward contracts which are designated as the hedging instrument in a hedge of a net investment in a foreign operation.

(j) Fixed assets

Recognition and initial measurement
Items of fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

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

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

Buildings	20 years
Leasehold improvements	10 years
Furniture, fixtures and office equipment	6-7 years
Computer equipment	3 years

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

(k) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

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

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

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

Investment accounts are carried at their book values and include amounts retained towards the profit equalisation and investment risk reserves. The profit equalisation reserve is the amount appropriated by the Bank out of the Mudaraba income, before allocating the Mudarib's share, in order to maintain a certain level of return to the account holders on the investments. The investment risk reserve is the amount appropriated by the Bank out of the income of investment account holders, after allocating the Mudarib's share, in order to cater against future losses for investment account holders.

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

(o) Restricted investment accounts
Restricted investment accounts represents assets acquired by funds provided by holders of restricted investment accounts and their equivalent and managed by the Bank as an investment manager based on either a Mudaraba contract or (Wakala) agency contract. The restricted investment accounts are exclusively restricted for investment in specified projects as directed by the investments account holders. Assets that are held in such capacity are not included as assets of the Bank in the consolidated financial statements.

(p) Provisions
Provision is recognised if, as a result of a past event, the Bank 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.

(q) Employees benefits

Defined contribution plans
The Group provides for its contribution to the State administered retirement fund for Qatari employees in accordance with the Retirement and Pension Law No. 24 of 2002, and the resulting charge is included within the personnel cost under general and administration expenses 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 also provides for end of service benefits to its expatriate employees in accordance with the Qatar Labour Law. The provision is calculated based on the period of service for each staff at the year end. This provision is included in other provisions under other liabilities.

(r) Share capital and reserves

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

(s) Revenue recognition

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

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

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

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

Istisna'a
Revenue and the associated profit margin are recognised in the Bank's consolidated income statement according to the percentage of completion method or completed contract method.

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

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

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

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

(t) Income tax
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's operations inside Qatar are not subject to tax, except Al Rayan Investment whose profits are subject to tax as per Qatar Financial Center Authority regulations.

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(u) 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 owners of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to owners and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(v) Placements with banks and other financial institutions
Placements with banks and other financial institutions are stated at amortised cost net of any amounts written off and allowance for impairment.

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

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

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

(x) Contingent liabilities
Contingent liabilities include guarantees, letters of credit, Group's obligations with respect to unilateral promise to buy/sell currencies, profit rate swaps and others. These do not constitute actual assets or liabilities at the consolidated statement of financial position date except for assets and obligations relating to fair value gains or losses on these derivative financial instruments.

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

(z) 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.

(aa) Earnings prohibited by Shari'a
The Group is committed to avoid recognizing any income generated from non-Islamic source. Consequently, all non-Islamic income is credited to a charity account and the Group uses these funds for various social welfare activities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information as required by the QCB, are prepared following the same accounting policies as mentioned above except for investment in subsidiaries, associates and joint arrangements which are carried at cost.

(dd) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2014:

There are no new accounting standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that have been issued during the year.

New standards, amendments and interpretations issued but not yet effective

AAOIFI has issued a new accounting standard on investment accounts - Financial Accounting Standard No. 27 (FAS 27): Investment Accounts. The new FAS 27 updates and replaces two of AAOIFI's previous accounting standards relating to investment accounts – FAS 5: Disclosure of Bases for Profit Allocation between Owners' Equity and Investment Account Holders as well as FAS 6: Equity of Investment Account Holders and Their Equivalent.

This standard applies to investment accounts based on Mudaraba contracts which represent "equity of investment accountholders and on Mudaraba contracts that are placed on "short-term basis" (overnight, seven days, one month basis) by other financial institutions as "interbank-bank deposits" for the purpose of liquidity management. However, it is not applicable to own equity instruments, wakala contracts, reverse murabaha, musharaka or sukuk.

The Group is currently assessing the impact of this standard for future periods.

4. FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

Risk management and structure

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, market risk, liquidity risk and operating risk, which include trading and non-trading risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Board of Directors

The Board of Directors is responsible for the risk management methodology and approving strategic plans and risk management principles.

Risk management function

The Risk Management Function is responsible for implementing and maintaining risk related procedures to ensure an independent control process. It is also responsible for monitoring compliance with risk principles, policies and limits, across the Group.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Introduction and overview (Continued)

Assets and liabilities

The Group's management is responsible for managing the Group's assets and liabilities and the overall financial structure and also responsible for the Group's credit and liquidity risk.

Internal audit

Risk management processes throughout the Bank are audited annually by the Internal Audit Department that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Information compiled from all business departments is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Board of Directors, risk unit, and the head of each business division.

On a monthly basis, detailed reporting of industry, customer and geographic risks take place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis.

Frequent reports are given to the senior management and all other relevant members of the Group on the utilisation of market limits, analysis of propriety investments and liquidity, plus any other risk developments.

4.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

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

The main types of collaterals obtained are as follows:
- For securities lending: cash or securities.
- For commercial lending: mortgages over real estate properties, inventory, cash or securities.
- For retail lending: mortgages over residential properties, vehicles and securities.

Management constantly monitors the market value of collaterals.

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

Details of the composition of the receivables and balances from financing activities to customers are set out in Note 10. Also the details of geographical segments are set out in Note 30.

4.2.1 Credit risk measurement

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses. The Group also runs worse case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition, the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk type activities and the module makes use of probabilities derived from historical experience adjusted to reflect the economic environment.

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2.2 Risk limit control and mitigation policies

Risk mitigation

As a part of overall risk management, the Group uses swap deals and other instruments to manage exposures from changes in profit rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions.

Excessive risk concentration

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

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio, with limits set on geographic and industry sector exposures. Identified concentrations of credit risks are controlled and managed accordingly.

4.2.3 Maximum exposure to credit risk before collateral held or other credit enhancements

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

	2014	2013
Cash and balances with QCB (excluding cash on hand)	2,995,326	3,227,597
Due from banks	3,602,772	4,334,667
Financing assets	57,906,940	41,440,198
Investment securities - debt	13,693,612	14,714,915
Other assets	246,392	390,206
	78,445,042	**64,107,583**
Other credit risk exposures are as follows:		
Guarantees	12,984,353	8,040,566
Letters of credit	8,662,418	11,430,735
Unutilized credit facilities	20,771,239	15,290,101
	42,418,010	**34,761,402**

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

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure

(a) By Geographical Sector

Assets recorded on the consolidated statement of financial position:

2014	Qatar	Other GCC	Other Middle East	Others	Total
Cash and balances with QCB (excluding cash on hand)	2,995,326	-	-	-	2,995,326
Due from banks	1,788,985	1,485,439	1,296	327,052	3,602,772
Financing assets	52,061,010	143,542	-	5,702,388	57,906,940
Investment securities - debt	12,534,417	478,053	53,254	627,888	13,693,612
Other assets	234,129	-	-	12,263	246,392
	69,613,867	**2,107,034**	**54,550**	**6,669,591**	**78,445,042**

2013	Qatar	Other GCC	Other Middle East	Others	Total
Cash and balances with QCB (excluding cash on hand)	3,227,597	-	-	-	3,227,597
Due from banks	1,461,862	2,511,452	448	360,905	4,334,667
Financing assets	40,463,688	100,294	-	876,216	41,440,198
Investment securities - debt	14,258,007	349,202	33,677	74,029	14,714,915
Other assets	390,206	-	-	-	390,206
	59,801,360	**2,960,948**	**34,125**	**1,311,150**	**64,107,583**

2014	Qatar	Other GCC	Other Middle East	Others	Total
Guarantees	8,544,279	5,018	747,266	3,687,790	12,984,353
Letters of credit	8,480,620	-	-	181,798	8,662,418
Unutilized credit facilities	20,184,495	15,729	-	571,015	20,771,239
	37,209,394	**20,747**	**747,266**	**4,440,603**	**42,418,010**

2013	Qatar	Other GCC	Other Middle East	Others	Total
Guarantees	4,901,424	5,598	702,687	2,430,857	8,040,566
Letters of credit	9,587,763	-	-	1,842,972	11,430,735
Unutilized credit facilities	15,228,222	61,722	-	157	15,290,101
	29,717,409	**67,320**	**702,687**	**4,273,986**	**34,761,402**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.2 Credit risk (continued)

(b) By Industry sector

An industry sector analysis of the Group's maximum exposure to credit risk for the components of the consolidated statement of financial position is shown below. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Gross exposure	2014	2013
Funded and unfunded		
Government	20,782,644	20,677,331
Government agencies	26,613,797	17,205,605
Industry	1,582,820	624,025
Commercial	1,817,055	2,577,486
Services	11,234,154	13,355,821
Contracting	686,634	718,057
Real estate	11,644,922	7,010,210
Personal	3,750,135	1,525,655
Others	332,881	413,393
Contingent liabilities	42,418,010	34,761,402
Total	**120,863,052**	**98,868,985**

Credit risk exposure

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

	2014	2013
Equivalent grades		
AAA to AA-	47,265,223	37,877,355
A+ to A-	7,488,931	3,143,764
BBB to BBB-	552,500	7,510
BB+ to B-	362,243	485,607
Unrated	65,194,155	57,354,749
	120,863,052	**98,868,985**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.2 Credit risk (continued)

4.2.5 Credit Quality

	Financing assets		Due from banks		Investment in debt-type securities		Other receivables	
	2014	2013	2014	2013	2014	2013	2014	2013
Neither past due nor impaired (low risk):								
Investment grade	31,823,467	20,574,942	-	-	12,240,739	14,056,702	-	-
Standard monitoring	25,470,324	20,186,237	3,602,772	4,334,667	1,423,749	629,089	246,392	390,206
Special monitoring	283,167	312,796	-	-	-	-	-	-
Carrying amount	**57,576,958**	**41,073,975**	**3,602,772**	**4,334,667**	**13,664,488**	**14,685,791**	**246,392**	**390,206**
Past due but not impaired (special mentioned):								
Investment grade	-	-	-	-	-	-	-	-
Standard monitoring	296,819	274,914	-	-	-	-	-	-
Special monitoring	27,626	86,044	-	-	-	-	-	-
Carrying amount	**324,445**	**360,958**	**-**	**-**	**-**	**-**	**-**	**-**
Impaired								
Substandard (overdue > 3 months)	4,443	985	-	-	-	-	-	-
Doubtful (overdue > 6 months)	-	-	-	-	-	-	-	-
Loss (overdue > 9 months)	53,774	41,405	-	-	50,967	50,967	3,126	3,126
	58,217	**42,390**	**-**	**-**	**50,967**	**50,967**	**3,126**	**3,126**
Less: impairment allowance-specific	(47,077)	(31,522)	-	-	(21,843)	(21,843)	(3,126)	(3,126)
Less: impairment allowance-collective	(5,603)	(5,603)	-	-	-	-	-	-
Net carrying amount (impaired assets)	**5,537**	**5,265**	**-**	**-**	**29,124**	**29,124**	**-**	**-**
Carrying amount – net	**57,906,940**	**41,440,198**	**3,602,772**	**4,334,667**	**13,693,612**	**14,714,915**	**246,392**	**390,206**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.2 Credit risk (continued)

4.2.5 Credit Quality

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

Investment in debt-type securities carried at fair value through income statement are not assessed for impairment but are subject to the same internal grading system.

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

	2014	2013
Up to 30 days	229,199	164,435
31 to 60 days	30,858	31,015
61 – 90 days	64,388	165,508
Gross	**324,445**	**360,958**

Renegotiated financing assets
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. In the majority of cases, restructuring results in the asset continuing to be impaired:

	2014	2013
Continuing to be impaired after restructuring	9,626	12,693
Non–impaired after restructuring – would otherwise have been impaired	11,008	-
Non–impaired after restructuring – would otherwise not have been impaired	-	6,494
	20,634	**19,187**

4.2.6 Collateral

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

The Group has collateral in the form of blocked deposit, pledge of shares or legal mortgage against the past dues financing assets.

Aggregate collateral	2014	2013
Past due category:		
Up to 30 days	100,405	83,760
31 to 60 days	8,769	40
61 – 90 days	42,994	1,607
91 days and above	24,290	26,253
	176,458	**111,660**

4.2.7 Write-off policy

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

This determination is made after considering information such as the occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised financing assets, write-off decisions generally are based on a product-specific past due status. The amount written off during the year was QAR 74 thousand (2013: QAR 105 thousand).

4.3 Market risk

Market risk is the risk that the Group's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level of volatility of market rates or prices such as profit rates, foreign exchange rates and equity prices. The Group manages its market risks within the framework of limits defined by the QCB.

4.3.1 Management of market risk

Assets and liabilities profit rate gaps are reviewed on a regular basis which is used to reduce the profit rate gaps to within the limits established by the Board. The Group manages its exposure to currency exchange rate fluctuations to within the levels defined by the Board of Directors, which sets limits on currency position exposures. Positions are monitored on an ongoing basis.

4.3.2 Exposure to profit rate risk – non-trading portfolios

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 profit rates. Profit rate risk is managed principally through monitoring profit rate gaps and by having pre-approved limits for repricing bands. The Asset and Liability Committee ("ALCO") is the monitoring body for compliance with these limits and is assisted by Group central Treasury in its day-to-day monitoring activities.

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.3 Market risk (continued)
4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

		Re-pricing in:					
2014	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Effective profit rate
Cash and balances with QCB	3,311,311	-	-	-	-	3,311,311	
Due from banks	3,602,772	3,165,285	-	-	-	437,487	**0.71%**
Financing assets	57,906,940	16,435,908	8,611,601	16,193,760	16,665,671	-	**3.81%**
Investment securities	13,612,916	95,062	-	-	-	13,517,854	**3.48%**
	78,433,939	**19,696,255**	**8,611,601**	**16,193,760**	**16,665,671**	**17,266,652**	
Due to banks	(4,560,293)	(4,455,270)	(82,280)	-	-	(22,743)	**1.61%**
Customer current accounts	(4,878,252)	-	-	-	-	(4,878,252)	
	(9,438,545)	**(4,455,270)**	**(82,280)**	**-**	**-**	**(4,900,995)**	
Equity of investment account holders	**(57,692,301)**	**(48,031,541)**	**(8,974,448)**	**(686,312)**	**-**	**-**	**1.00%**
Consolidated statement of financial position items	11,303,093	(32,790,556)	(445,127)	15,507,448	16,665,671	12,365,657	
Off consolidated statement of financial position items	28,355,032	24,082,433	4,272,599	-	-	-	
Profit Rate Sensitivity Gap	**(17,051,939)**	**(56,872,989)**	**(4,717,726)**	**15,507,448**	**16,665,671**	**12,365,657**	
Cumulative Profit Rate Sensitivity Gap	**(17,051,939)**	**(56,872,989)**	**(61,590,715)**	**(46,083,267)**	**(29,417,596)**	**(17,051,939)**	

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.3 Market risk (continued)
4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

		Re-pricing in:					
2013	Carrying amount	Less than 3 months	3 to12 months	1 to 5 years	Over 5 years	Non-profit sensitive	Effective profit rate
Cash and balances with QCB	3,510,514	-	-	-	-	3,510,514	
Due from banks	4,334,667	4,020,305	-	-	-	314,362	**0.75%**
Financing assets	41,440,198	21,102,229	10,506,375	5,116,563	4,715,031	-	**4.34%**
Investment securities	14,592,975	66,667	83,732	-	-	14,442,576	**4.75%**
	63,878,354	**25,189,201**	**10,590,107**	**5,116,563**	**4,715,031**	**18,267,452**	
Due to banks	(6,765,067)	(6,191,227)	-	-	-	(573,840)	**1.73%**
Customer current accounts	(3,514,402)	-	-	-	-	(3,514,402)	
	(10,279,469)	**(6,191,227)**	**-**	**-**	**-**	**(4,088,242)**	
Equity of investment account holders	**(44,816,865)**	**(39,988,078)**	**(4,231,403)**	**(597,384)**	**-**	**-**	**1.05%**
Consolidated statement of financial position items	8,782,020	(20,990,104)	6,358,704	4,519,179	4,715,031	14,179,210	
Off consolidated statement of financial position items	18,516,075	14,002,272	4,513,803	-	-	-	
Profit Rate Sensitivity Gap	**(9,734,055)**	**(34,992,376)**	**1,844,901**	**4,519,179**	**4,715,031**	**14,179,210**	
Cumulative Profit Rate Sensitivity Gap	**(9,734,055)**	**(34,992,376)**	**(33,147,475)**	**(28,628,296)**	**(23,913,265)**	**(9,734,055)**	

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

4.3.2 Exposure to profit rate risk – non-trading portfolios (continued)

Sensitivity analysis

The management of profit rate risk against profit rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard profit rate scenarios. Standard scenarios that are considered on a monthly basis include a 10 basis point (bp) parallel fall or rise in all yield curves worldwide and a 5 bp rise or fall in the greater than 12-month portion of all yield curves. An analysis of the Group's sensitivity to an increase or decrease in market profit rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows:

Sensitivity of net profit	10 bp parallel increase	10 bp parallel decrease
2014		
At 31 December	**743**	**(743)**
2013		
At 31 December	892	(892)

Overall non-trading profit rate risk positions are managed by Group Central Treasury, which uses financial investments, advances to banks, deposits from banks and risk management instruments to manage the overall position arising from the Group's non-trading activities.

4.3.3 Exposure to other market risks – non-trading portfolios

Foreign currency transactions

The Group's policy is only to hedge such exposures when not doing so would have a significant impact on the regulatory capital ratios of the Group and its subsidiaries. The result of this policy is that hedging generally only becomes necessary when the ratio of structural exposures in a particular currency to risk-weighted assets denominated in that currency diverges significantly from the capital ratio of the entity being considered. In addition to monitoring VaR in respect of foreign currency, 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 into the respective functional currency of Group entities, and with regard to the translation of foreign operations into the presentation currency of the Group (after taking account of the impact of any qualifying net investment hedges).

Net foreign currency exposure:	2014	2013
EUR	(970)	(99)
GBP	(325)	191
Others	13,199	6,160

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

Increase / (decrease) in profit or loss	2014	2013
5% increase / (decrease) in currency exchange rate		
EUR	(49)	(5)
GBP	(16)	10
Others	660	308

The table above does not include currencies that are pegged against the QAR.

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Market risk (continued)

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

Equity price risk

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

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

	2014	2013
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	17,845	9,052
Increase / (decrease) in equity	11,647	5,858

4.4 Liquidity risk

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

4.4.1 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 issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by QCB.

Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	2014	2013
At 31 December	104%	126%
Average for the year	109%	106%
Maximum for the year	128%	126%
Minimum for the year	101%	99%

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.4 Liquidity risk (continued)
4.4.2 Maturity analysis

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2014	Carrying amount	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Cash and balances with QCB	3,311,311	559,957	-	-	-	2,751,354
Due from banks	3,602,772	3,562,494	40,278	-	-	-
Financing assets	57,906,940	6,454,647	7,860,928	8,425,460	16,395,863	18,770,042
Investment securities - debt	13,693,612	244,967	1,705,481	825,484	9,154,882	1,762,798
Other assets	246,392	246,392	-	-	-	-
Total financial assets	**78,761,027**	**11,068,457**	**9,606,687**	**9,250,944**	**25,550,745**	**23,284,194**
Due to banks	4,560,293	2,028,428	2,449,585	82,280	-	-
Customer current accounts	4,878,252	4,878,252	-	-	-	-
Total financial liabilities	9,438,545	6,906,680	2,449,585	82,280	-	-
Equity of investment account holders	57,692,301	37,410,754	10,136,612	9,458,623	686,312	-
Total financial liabilities and equity of investment account holders	**67,130,846**	**44,317,434**	**12,586,197**	**9,540,903**	**686,312**	**-**
Difference	**11,630,181**	**(33,248,977)**	**(2,979,510)**	**(289,959)**	**24,864,433**	**23,284,194**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.4 Liquidity risk (continued)
4.4.2 Maturity analysis (continued)

QAR '000s

2013	Carrying amount	Less than one month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years
Cash and balances with QCB	3,510,514	1,237,196	-	-	-	2,273,318
Due from banks	4,334,667	4,334,667	-	-	-	-
Financing assets	41,440,198	14,940,311	6,161,918	10,506,375	5,116,563	4,715,031
Investment securities - debt	14,714,915	10,179,103	49,842	496,610	3,018,988	970,372
Other assets	390,206	390,206	-	-	-	-
Total financial assets	**64,390,500**	**31,081,483**	**6,211,760**	**11,002,985**	**8,135,551**	**7,958,721**
Due to banks	6,765,067	4,550,658	2,214,409	-	-	-
Customer current accounts	3,514,402	3,514,402	-	-	-	-
Total financial liabilities	10,279,469	8,065,060	2,214,409	-	-	-
Equity of investment account holders	44,816,865	32,652,927	7,335,151	4,231,403	597,384	-
Total financial liabilities and equity of investment account holders	**55,096,334**	**40,717,987**	**9,549,560**	**4,231,403**	**597,384**	**-**
Difference	**9,294,166**	**(9,636,504)**	**(3,337,800)**	**6,771,582**	**7,538,167**	**7,958,721**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.4 Liquidity risk (continued)
4.4.3 Maturity analysis (Financial liabilities and risk management instruments)

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The Group maintains a portfolio of highly marketable, diverse and liquid assets in the event of an unforeseen interruption to cash flow. The Group maintains statutory reserves with QCB. Liquidity is assessed and managed using a variety of stressed scenarios applicable to the Group.

2014	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative liabilities							
Due to banks	4,560,293	4,562,367	2,028,695	2,451,134	82,538	-	-
Customer current accounts	4,878,252	4,892,046	4,892,046	-	-	-	-
Other liabilities	1,242,922	1,242,922	1,242,922	-	-	-	-
Total liabilities	**10,681,467**	**10,697,335**	**8,163,663**	**2,451,134**	**82,538**	**-**	**-**
Equity of investment account holders	57,692,301	57,830,916	38,736,519	10,103,202	8,379,905	611,290	-
Risk management instruments							
Risk management:	(29)						
Outflow		(15,335)	(2,677)	(10,725)	(1,933)	-	-
Inflow		15,306	2,591	10,681	2,034	-	-
	68,373,739	**68,528,222**	**46,900,096**	**12,554,292**	**8,462,544**	**611,290**	**-**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)
4.4 Liquidity risk (continued)

4.4.3 Maturity analysis (Financial liabilities and risk management instruments) (continued)

2013	Carrying amount	Gross undiscounted cash flows	Less than one month	One to 3 months	3 to 12 months	1 to 5 years	Over 5 year
Non-derivative liabilities							
Due to banks	6,765,067	6,769,323	4,615,738	2,153,585	-	-	-
Customer current accounts	3,514,402	3,514,402	3,514,402	-	-	-	-
Other liabilities	746,906	746,906	746,906	-	-	-	-
Total liabilities	**11,026,375**	**11,030,631**	**8,877,046**	**2,153,585**	**-**	**-**	**-**
Equity of investment account holders	44,816,865	44,882,779	32,657,809	7,345,583	4,258,883	620,504	-
Risk management instruments							
Risk management:	6,669						
Outflow		(6,443)	(6,443)	-	-	-	-
Inflow		13,112	3,915	7,452	1,745	-	-
	55,849,909	**55,920,079**	**41,532,327**	**9,506,620**	**4,260,628**	**620,504**	**-**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.5 Operational risk

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.

4.6 Capital management

Regulatory capital

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

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

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

The following table summarises the capital adequacy of the Group under Basel III/II requirements:

	2014	2013
Common Equity Tier (CET) 1 capital/Tier 1 (Basel II)	9,977,075	7,537,585
Additional Tier 1 capital	752	-
Additional Tier 2 capital	752	-
Total eligible capital	9,978,579	7,537,585
Total risk weighted assets	54,363,751	36,681,343
CET1/Tier 1 (Basel II) Ratio	18.35%	20.55%
Total Capital Ratio	**18.36%**	**20.55%**

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4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.6 Capital management (continued)

Regulatory capital (continued)

The Bank has followed Basel III Capital Adequacy Ratio (CAR) with effect from 1 January 2014 in accordance with QCB regulations. The minimum accepted CAR under Basel III as per QCB requirements are as follows:
- Minimum limit without Capital Conservation Buffer is 10%; and
- Minimum limit including Capital Conservation Buffer is 12.5%.

Capital adequacy disclosures relating to 31 December 2013 are based on Basel II requirements.

Risk weighted assets and carrying amounts

	Basel III/II Risk weighted amount		Carrying amount	
	2014	2013	2014	2013
Cash and balances with QCB	-	-	3,311,311	3,510,514
Due from banks	753,249	2,161,899	3,602,772	4,334,667
Financing assets	33,849,568	20,260,711	57,906,940	41,440,198
Investment securities	2,102,109	1,202,537	14,288,311	15,016,627
Fixed assets and other assets	454,321	697,103	469,686	697,103
Off balance sheet assets	9,160,248	8,613,615	70,773,042	53,277,477
Total risk weighted assets for credit risk	**46,319,495**	**32,935,865**	**150,352,062**	**118,276,586**
Risk weighted assets for market risk	4,161,193	245,488		
Risk weighted assets for operational risk	3,883,063	3,499,990		
	8,044,256	**3,745,478**		

	2014	2013
Risk weighted assets	54,363,751	36,681,343
Regulatory capital	9,978,579	7,537,585
Risk weighted assets as a percentage of regulatory capital (capital ratio)	18.36%	20.55%

5. USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

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

(i) Allowances for credit losses

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

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

5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

(a) Key sources of estimation uncertainty (continued)

(i) Allowances for credit losses (continued)

Credit Risk function. Minimum impairment on specific counter parties are determined based on the QCB regulations.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of financing 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 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.

(ii) Determining fair values

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

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

(i) Valuation of financial instruments

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

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

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

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark profit rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, which would have been determined by market participants acting at arm's length.

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5. USE OF ESTIMATES AND JUDGMENTS (CONTINUED)

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

(ii) Financial asset and liability classification

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

2014	Level 1	Level 2	Level 3	Total
Risk management instruments	-	15,306	-	15,306
Investment securities	670,520	-	-	670,520
	670,520	**15,306**	**-**	**685,826**
Risk management instruments	-	15,335	-	15,335
	-	**15,335**	**-**	**15,335**

2013	Level 1	Level 2	Level 3	Total
Risk management instruments	-	13,112	-	13,112
Investment securities	418,974	-	-	418,974
	418,974	**13,112**	**-**	**432,086**
Risk management instruments	-	6,443	-	6,443
	-	**6,443**	**-**	**6,443**

The fair values of financial assets and financial liabilities carried at amortized cost are equal to the carrying value, hence, not included in the fair value hierarchy table, except for investment securities for which the fair value amounts to QAR 2,430 million (2013: QAR 1,347 million), which is derived using Level 1 fair value hierarchy. The details of the Group's classification of financial assets and liabilities are disclosed in Note 7.

Investment securities totalling QAR 4,875 thousand are carried at cost (2013: QAR 4,678 thousand). During the reporting periods 31 December 2014 and 2013, there were no transfers among Levels 1, 2 and 3 fair value measurements.

(iii) 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 note.

(iv) Useful lives of fixed assets

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

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6. OPERATING SEGMENTS

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

- Corporate Banking provides an extensive range of Islamic funded and non-funded credit facilities, deposit services, investment advisory, currency exchange facilities, profit rate swaps, financing syndication and and other services to Corporate, Commercial and Multinational Customers.
- Retail Banking provides investment accounts services, credit card and Islamic financing to retail and individual customers.
- Asset Management has two distinct functions. Firstly, the management of Masraf Al Rayan's portfolio of listed and private equities and funds, strategic investments, income producing instruments such as sukuks and real estate investments. Secondly, the development and operation of Masraf Al Rayan's investment products, asset management and investment placement business.
- International Operations includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

Unallocated assets, liabilities and revenues are related to some central functions and non-core business operations, like common property & equipments, cash functions, development projects related payables etc.

Information regarding the results, assets and liabilities of each reportable segment is included below. Performance is measured based on segment profit before tax, as included in the internal management reports that are reviewed by the management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries

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6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments

2014	Corporate Banking	Retail Banking	Asset Management	International Operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	2,044,965	379,720	54,807	92,590	-	2,572,082
Net fee and commission income	188,365	-	23,189	4,041	-	215,595
Foreign exchange gain / (loss)	86,789	-	(38)	-	-	86,751
Share of results of associates and joint ventures	-	-	-	-	9,613	9,613
Gain on sale of an associate	-	-	-	-	186,143	186,143
Other income	-	-	-	-	7,435	7,435
Total segment revenue	**2,320,119**	**379,720**	**77,958**	**96,631**	**203,191**	**3,077,619**
Other material non-cash items:						
Net impairment loss on investment securities	-	-	-	-	(508)	(508)
Net impairment loss on financing assets	(9,257)	(3,137)	-	-	-	(12,394)
Reportable segment profit before tax	**1,839,008**	**310,865**	**50,972**	**(1,137)**	**(180,401)**	**2,019,307**
Reportable segment assets	**66,497,109**	**8,531,622**	**912,362**	**3,664,627**	**488,548**	**80,094,268**
Reportable segment liabilities	**7,141,093**	**1,735,382**	**11,387**	**576,978**	**1,216,627**	**10,681,467**
Reportable segment equity of investment account holders	**48,695,080**	**6,485,375**	**-**	**2,511,846**	**-**	**57,692,301**

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6. OPERATING SEGMENTS (CONTINUED)

Information about operating segments (continued)

2013	Corporate Banking	Retail Banking	Asset Management	International Operations	Unallocated	Total
External revenue:						
Total income from financing and investing activities	2,092,896	296,327	63,249	-	-	2,452,472
Net fee and commission income	134,750	-	12,269	-	-	147,019
Foreign exchange gain / (loss)	60,441	-	(33)	-	-	60,408
Share of results of associates and joint ventures	-	-	-	-	7,943	7,943
Other income	-	-	4,666	-	9,199	13,865
Total segment revenue	**2,288,087**	**296,327**	**80,151**	**-**	**17,142**	**2,681,707**
Other material non-cash items:						
Net impairment loss on investment securities	-	-	-	-	(1,157)	(1,157)
Net impairment loss on financing assets	11,485	(153)	-	-	-	11,332
Reportable segment profit before tax	**1,811,513**	**226,982**	**58,389**	**-**	**(357,819)**	**1,739,065**
Reportable segment assets	**59,086,204**	**6,229,017**	**690,823**	**-**	**541,593**	**66,547,637**
Reportable segment liabilities	**9,103,228**	**1,400,078**	**5,994**	**-**	**517,075**	**11,026,375**
Reportable segment equity of investment account holders	**40,214,908**	**4,601,957**	**-**	**-**	**-**	**44,816,865**

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7. FAIR VALUE AND CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

2014	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
Cash and balances with QCB	-	-	3,311,311	3,311,311	3,311,311
Due from banks	-	-	3,602,772	3,602,772	3,602,772
Financing assets	-	-	57,906,940	57,906,940	57,906,940
Investment securities:					
- Measured at fair value	437,583	237,812	-	675,395	675,395
- Measured at amortised cost	-	-	13,612,916	13,612,916	13,638,025
Other assets	-	-	246,392	246,392	246,392
Risk management instruments	15,306	-	-	15,306	15,306
	452,889	**237,812**	**78,680,331**	**79,371,032**	**79,396,141**
Due to banks	-	-	4,560,293	4,560,293	4,560,293
Customer current accounts	-	-	4,878,252	4,878,252	4,878,252
Equity of investment account holders	-	-	57,692,301	57,692,301	57,692,301
Risk management instruments	15,335	-	-	15,335	15,335
	15,335	**-**	**67,130,846**	**67,146,181**	**67,146,181**

2013	Fair value through income statement	Fair value through equity	Amortised cost	Total carrying amount	Fair value
Cash and balances with QCB	-	-	3,510,514	3,510,514	3,510,514
Due from banks	-	-	4,334,667	4,334,667	4,334,667
Financing assets	-	-	41,440,198	41,440,198	41,440,198
Investment securities:					
- Measured at fair value	302,972	120,680	-	423,652	423,652
- Measured at amortised cost	-	-	14,592,975	14,592,975	14,493,319
Other assets	-	-	390,206	390,206	390,206
Risk management instruments	13,112	-	-	13,112	13,112
	316,084	**120,680**	**64,268,560**	**64,705,324**	**64,605,668**
Due to banks	-	-	6,765,067	6,765,067	6,765,067
Customer current accounts	-	-	3,514,402	3,514,402	3,514,402
Equity of investment account holders	-	-	44,816,865	44,816,865	44,816,865
Risk management instruments	6,443	-	-	6,443	6,443
	6,443	**-**	**55,096,334**	**55,102,777**	**55,102,777**

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8. BUSINESS COMBINATION

On 2 February 2014, the Group acquired 95.02% of the ordinary shares and voting interest in Al Rayan Bank (previously Islamic Bank of Britain PLC) and obtained control. Further, the Group increased its shareholding from 95.02% to 98.34% by raising Tier 1 capital through the issuance of new Al Rayan Bank shares on 3 February 2014. The acquisition was accounted for using the acquisition method of accounting.

During the period following the acquisition to 31 December 2014, Al Rayan Bank has contributed net operating income of QAR 96.6 million and net income of QAR 4.7 million to the Group results. Management estimates that if the acquisition had occurred on 1 January 2014, then Al Rayan Bank would have contributed net operating income of QAR 102.5 million and net income of QAR 3.0 million to the Group results for year ended 31 December 2014. 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 2014.

The assets and liabilities acquired are required to be measured at their acquisition-date fair values. The following fair values of the identifiable assets and liabilities have been recognized on a provisional basis, as the Group is in the process of finalizing the Purchase Price Allocation exercise.

	31 December 2014
Al Rayan Bank's net book value before fair value adjustments (100%)	147,693
Fair value adjustment of identifiable assets and liabilities	-
Fair value of identifiable assets and liabilities	**147,693**
Cash consideration transferred	(140,339)
Non-controlling interest at the date of acquisition (4.98%)*	(7,354)
Goodwill and other intangibles	**-**

** Non-controlling interest increased to QAR 10,119 thousand due to issuance of additional capital amounting to QAR 459 million.*

If any new information is obtained about the facts and circumstances that existed at the acquisition date that identifies any adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised accordingly.

9. CASH AND BALANCES WITH QATAR CENTRAL BANK

	2014	2013
Cash on hand	315,985	282,917
Cash reserve with QCB*	2,751,534	2,273,318
Current account with QCB	243,792	954,279
	3,311,311	**3,510,514**

** The cash reserve with QCB represents a mandatory reserve not available for the daily operations of the Group.*

10. DUE FROM BANKS

	2014	2013
Current accounts	437,487	314,362
Wakala placements with banks	2,156,225	1,217,575
Commodity murabaha receivable	1,009,060	2,802,730
	3,602,772	**4,334,667**

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11. FINANCING ASSETS

(a) By type

	2014	2013
Receivables and balances from financing activities:		
Murabaha	53,135,412	38,375,758
Ijarah	4,814,709	3,705,824
Istisna'a	1,300,702	983,684
Musharaka	3,614,539	520,050
Others	68,016	127,112
Total receivables and balances from financing activities	**62,933,378**	**43,712,428**
Deferred profit	(4,973,758)	(2,235,105)
Allowance for impairment and profit in suspense (note b)	(52,680)	(37,125)
Net receivables and balances from financing activities	**57,906,940**	**41,440,198**

The total non-performing financing assets at 31 December 2014 amounted to QAR 58,217 thousand representing 0.09% of the gross financing assets (2013: QAR 42,390 thousand, representing 0.10% of the gross financing assets).

Specific impairment of financing assets includes QAR 3,160 thousand of profit in suspense (2013: QAR 3,209 thousand).

(b) Movement in the allowance for impairment and profit in suspense on financing assets

	Specific and collective impairment	Profit in suspense	Total 2014
Balance as at 1 January	33,916	3,209	37,125
Acquired from business combination	3,284	-	3,284
Charge for the year	19,870	(49)	19,821
Recoveries / reversals during the year	(7,476)	-	(7,476)
Write off during the year	(74)	-	(74)
Balance at 31 December 2014	**49,520**	**3,160**	**52,680**

	Specific and collective impairment	Profit in suspense	Total 2013
Balance as at 1 January	45,353	4,369	49,722
Charge for the year	30,917	(1,160)	29,757
Recoveries / reversals during the year	(42,249)	-	(42,249)
Write off during the year	(105)	-	(105)
Balance at 31 December 2013	**33,916**	**3,209**	**37,125**

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11. FINANCING ASSETS (CONTINUED)

(c) Movement in the allowance for impairment (including profit in suspense) on financing assets sector-wise

	Corporate and SME	Retail	Total 2014
Balance as at 1 January	35,070	2,055	37,125
Acquired from business combination	-	3,284	3,284
Charge for the year	16,047	3,774	19,821
Recoveries / reversals during the year	(6,988)	(488)	(7,476)
Write off during the year	-	(74)	(74)
Balance at 31 December	**44,129**	**8,551**	**52,680**

	Corporate and SME	Retail	Total 2013
Balance as at 1 January	47,754	1,968	49,722
Charge for the year	29,481	276	29,757
Recoveries / reversals during the year	(42,165)	(84)	(42,249)
Write off during the year	-	(105)	(105)
Balance at 31 December	**35,070**	**2,055**	**37,125**

(d) By sector

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2014
Government and related agencies	35,371,333	-	279,075	-	-	35,650,408
Non-banking financial institutions	5,894,033	4,657	-	-	-	5,898,690
Industry	278,104	-	536,319	-	-	814,423
Commercial	1,075,032	177,588	-	-	-	1,252,620
Services	1,841,189	24,370	216,074	208,515	14,908	2,305,056
Contracting	654,457	60,962	-	-	-	715,419
Real estate	5,635,735	4,358,299	269,234	1,270,602	-	11,533,870
Personal	2,385,518	188,833	-	1,582,993	53,108	4,210,452
Other	11	-	-	552,429	-	552,440
	53,135,412	**4,814,709**	**1,300,702**	**3,614,539**	**68,016**	**62,933,378**
Less: Deferred profit						(4,973,758)
Allowance for impairment on financing assets						(52,680)
						57,906,940

	Murabaha	Ijarah	Istisna'a	Musharaka	Others	Total 2013
Government and related agencies	21,183,932	-	90,568	-	-	21,274,500
Non-banking financial institutions	6,056,452	-	-	-	-	6,056,452
Industry	191,602	-	461,155	-	-	652,757
Commercial	3,419,835	12,530	-	-	-	3,432,365
Services	2,152,945	335,148	206,933	-	86,981	2,782,007
Contracting	744,300	15,269	-	-	-	759,569
Real estate	3,002,244	3,250,487	225,028	514,225	-	6,991,984
Personal	1,584,338	92,390	-	5,825	40,131	1,722,684
Other	40,110	-	-	-	-	40,110
	38,375,758	**3,705,824**	**983,684**	**520,050**	**127,112**	**43,712,428**
Less: Deferred profit						(2,235,105)
Allowance for impairment on financing assets						(37,125)
						41,440,198

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12. INVESTMENT SECURITIES

	2014			2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Equity type investments	356,887	-	356,887	181,032	-	181,032
• Debt type investments						
- Fixed profit rate	80,696	-	80,696	121,940	-	121,940
	437,583	**-**	**437,583**	**302,972**	**-**	**302,972**
Debt-type investments classified at amortised cost						
Fixed profit rate	1,095,271	-	1,095,271	436,842	-	436,842
Floating profit rate	95,063	-	95,063	121,274	-	121,274
Government of Qatar Sukuk	1,236,898	11,207,527	12,444,425	910,580	13,146,122	14,056,702
Less: Allowance for impairment	(21,843)	-	(21,843)	(21,843)	-	(21,843)
	2,405,389	**11,207,527**	**13,612,916**	**1,446,853**	**13,146,122**	**14,592,975**
Equity-type investments classified as fair value through equity	232,937	4,875	237,812	116,002	4,678	120,680
	3,075,909	**11,212,402**	**14,288,311**	**1,865,827**	**13,150,800**	**15,016,627**

The Group has taken impairment loss for equity-type investments classified as fair value through equity during the year totalling QAR 508 thousand (2013: QAR 1,157 thousand).

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

	2014			2013		
	Positive fair value	Negative fair value	Total	Positive fair value	Negative fair value	Total
Balance at 1 January	26,888	-	26,888	9,244	-	9,244
Net change in fair value	10,712	(10,711)	1	16,830	(1,157)	15,673
Transferred to consolidated income statement on sale	(544)	90	(454)	-	-	-
Transferred to consolidated income statement due to impairment	-	508	508	-	1,157	1,157
Share of other comprehensive income of associates	1,862	-	1,862	814	-	814
Balance at 31 December	**38,918**	**(10,113)**	**28,805**	**26,888**	**-**	**26,888**

QAR '000s

13. INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS

Associates' and joint arrangements' movement during the year is as follows:

	2014	2013
Balance at 1 January	1,457,278	1,449,521
Share of results	9,613	7,943
Cash dividend received	(5,408)	-
Associate sold	(1,039,347)	-
Share of other comprehensive income	1,862	814
Reclassification of investment to other assets	-	(1,000)
Balance at 31 December	**423,998**	**1,457,278**

Name of the Company	Associate / Joint Arrangement	Country	Company's activities	Ownership % 2014	Ownership % 2013
National Mass Housing ("NMH")	Associate	Oman	Real estate services	20.00	20.00
CI San Trading ("Ci San")	Associate	Qatar	Investing and trading	50.00	50.00
Kirnaf Investment and Installment Company ("Kirnaf")	Associate	Saudi Arabia	Leasing	48.00	48.00
Daman Insurance - Beema ("Daman")	Associate	Qatar	Insurance	20.00	20.00
Linc Facility Services ("Linc")	Joint arrangement	Qatar	Facility management	33.50	33.50
Seef Lusail Real Estate Development Company W.L.L. ("Seef")	Associate	Qatar	Investment and credit facilities management	-	50.00

Notes:

a) All investments are not listed.

b) During the year, the Bank has sold fully its 50% stake in Seef to Qatari Diar Infrastructure Company (49%) and Qatari Diar Real Estate Investment Company (1%) for a consideration of QAR 1.5 billion.

QAR '000s

13. INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS (CONTINUED)

The financial position, revenue and results of associates and joint arrangements are as follows:

2014	NMH	Ci San	Kirnaf	Daman	Linc	Seef
Total assets	169,764	53,323	977,162	638,359	29,475	-
Total liabilities	5,355	7,217	321,369	373,245	6,440	-
Total revenue	5,970	64,096	-	54,801	35,557	-
Net profit / (loss)	4,012	2,730	-	30,643	17,834	-
Share of profit / (loss)	797	1,348	-	3,847	5,717	(2,096)*

**This represents the share of loss up to the date of disposal.*

2013	NMH	Ci San	Kirnaf	Daman	Linc	Seef
Total assets	163,049	51,776	977,162	396,521	6,000	2,127,478
Total liabilities	5,464	8,512	321,369	166,993	-	44,593
Total revenue	3,048	93,284	-	34,552	-	41
Net profit / (loss)	1,186	12,632	-	14,204	-	(6,406)
Share of profit / (loss)	499	6,332	-	4,315	-	(3,203)

14. INVESTMENT PROPERTY

Investment property pertains to freehold land and is carried at cost. The fair value of the investment property as at 31 December 2014 amounted to QAR 105 million (2013: QAR 101 million).

15. FIXED ASSETS

2014	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2014	14,163	54,579	22,892	71,765	300	163,699
Additions	64,546	1,354	9,654	2,334	-	77,888
Acquired from business combination	-	16,769	2,418	12,382	-	31,569
Balance at 31 December 2014	78,709	72,702	34,964	86,481	300	273,156
Accumulated depreciation:						
Balance at 1 January 2014	2,106	29,124	14,544	62,642	-	108,416
Depreciation for the year	358	6,710	3,168	5,876	-	16,112
Acquired from business combination	-	15,276	2,244	11,872	-	29,392
Balance at 31 December 2014	2,464	51,110	19,956	80,390	-	153,920
Net book value:						
At 31 December 2014	**76,245**	**21,592**	**15,008**	**6,091**	**300**	**119,236**

QAR '000s

15. FIXED ASSETS (CONTINUED)

2013	Land and building	Leasehold improvements	Furniture, fixtures and office equipment	Computer equipment	Work in progress	Total
Cost:						
Balance at 1 January 2013	14,163	52,398	20,436	65,619	1,969	154,585
Additions	-	2,137	2,030	6,146	-	10,313
Transfers	-	44	426	-	(470)	-
Disposals / write off	-	-	-	-	(1,199)	(1,199)
Balance at 31 December 2013	14,163	54,579	22,892	71,765	300	163,699
Accumulated depreciation:						
Balance at 1 January 2013	1,747	23,784	11,505	55,331	-	92,367
Depreciation for the year	359	5,340	3,039	7,311	-	16,049
Balance at 31 December 2013	2,106	29,124	14,544	62,642	-	108,416
Net book value:						
At 31 December 2013	**12,057**	**25,455**	**8,348**	**9,123**	**300**	**55,283**

16. OTHER ASSETS

	2014	2013
Accrued profit	249,518	393,332
Prepayments and other receivables	78,818	229,143
Advances to suppliers	25,240	22,471
	353,576	**644,946**
Less: Allowance for impairment losses	(3,126)	(3,126)
	350,450	**641,820**

Notes:
(i) Allowance for impairment losses pertain to accrued profit relating to certain debt type investments.
(ii) Other receivables include positive fair value of derivatives amounting to QAR 15,306 thousand (2013: QAR 13,112 thousand).

17 DUE TO BANKS

	2014	2013
Current accounts	22,743	573,840
Commodity murabaha payable	1,230,876	1,426,604
Wakala payable	3,306,674	4,764,623
	4,560,293	**6,765,067**

Wakala payable includes various facilities with maturities up to 5 months and carries a profit rate of 0.10% to 0.80% (2013: maturities up to 3 months and carries a profit rate of 0.22% to 1.25%).

QAR '000s

18. CUSTOMER CURRENT ACCOUNTS

	2014	2013
By sector:		
Government	805,026	629,791
Non-banking financial institutions	186,465	20,053
Corporate	1,915,932	1,464,581
Individuals	1,970,829	1,399,977
	4,878,252	**3,514,402**

19. OTHER LIABILITIES

	2014	2013
Unearned commission	485,452	207,305
Dividend payable	312,956	186,802
Other staff provisions	87,811	65,321
Accrued expenses	56,305	37,634
Social and sports fund (Note 39)	50,056	42,557
Provision for employees' end of service benefits (a)	27,130	21,552
Others	223,212	185,735
	1,242,922	**746,906**

Others include negative fair value of derivatives amounting to QAR 15,335 thousand (2013: QAR 6,443 thousand).

(a) Provision for employees' end of service benefits

	2014	2013
Balance at 1 January	21,552	16,912
Provisions made during the year	7,462	6,126
Paid during the year	(1,884)	(1,486)
Balance at 31 December	**27,130**	**21,552**

20. EQUITY OF INVESTMENT ACCOUNT HOLDERS

(a) By type

	2014	2013
Saving accounts	3,103,374	1,843,583
Term accounts	49,572,859	40,334,469
Call accounts	4,908,413	2,538,393
Profit payable to equity of investment account holders	106,461	99,305
Share in the fair value reserve	1,194	1,115
	57,692,301	**44,816,865**

20. EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

QAR '000s

(b) By sector

	2014	2013
Government	32,972,711	27,525,382
Non-banking financial institutions	117,973	131,812
Retail	7,523,703	4,942,875
Corporate	16,970,259	12,116,376
Profit payable to equity of investment account holders	106,461	99,305
Share in the fair value reserve	1,194	1,115
	57,692,301	**44,816,865**

In accordance with QCB circular No. 87/2008, no risk reserve is deducted from the profit related to the equity of investment account holders and the total risk reserve is transferred from the shareholders' profit as an appropriation.

(c) Share of equity of investment account holders in the net profit

	2014	2013
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	1,876,727	1,667,733
Masraf's Mudaraba income	(1,749,847)	(1,581,756)
Return on investment account holders	126,880	85,977
Support provided by Masraf	384,594	389,389
Return on investment account holders after Masraf's support	**511,474**	**475,366**

Rates of profit allotment:

	2014 (%)	2013 (%)
More than one year deposits	1.53	1.84
One year deposits	1.31	1.55
Six months deposits	1.22	1.41
Three months deposits	1.13	1.30
Call accounts	0.66	0.57
Saving accounts	0.89	0.89
Saving accounts-millionaire	1.00	1.00

21. OWNERS' EQUITY

(a) Share capital

	2014	2013
Authorised, issued and paid up 750,000,000 shares at QAR 10 each	7,500,000	7,500,000

21. OWNERS' EQUITY (CONTINUED)

QAR '000s

(b) Legal reserve

	2014	2013
Balance at 1 January	632,746	292,292
Transfer from retained earnings (i)	400,449	340,454
Balance at 31 December	**1,033,195**	**632,746**

(i) According to QCB Law No. 13 of 2012, 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of paid up capital. At 31 December 2014, the Group transferred to legal reserve 20% of the net profit for the year (2013: 20% of the net profit).

(c) Risk reserve

In accordance with QCB circular 102/2011, risk reserve has been created to cover contingencies on both the public and private sector financing activities, with a minimum requirement of 2.5% of the total private sector exposure granted by the Group inside and outside Qatar after the exclusion of the specific provisions and profit in suspense. The finance provided to/or secured by the Ministry of Finance or finance against cash guarantees are excluded from the gross direct financing, which should be appropriated from shareholders' profit according to QCB instructions. As of 31 December 2014, an amount of QAR 133 million has been transferred to the risk reserve (2013: QAR 88 million).

(d) Fair value reserve

This reserve comprises changes in fair value of equity-type investments classified as fair value through equity.

	2014	2013
Balance at 1 January	26,888	9,244
Net unrealised gains	1,195	16,788
Transferred to consolidated income statement	54	1,157
Share of other comprehensive income of associates	1,862	814
	29,999	**28,003**
Share of equity of investment account holders in the fair value reserve	(1,194)	(1,115)
Balance at 31 December (shareholders' share)	**28,805**	**26,888**

Fair value reserve represents unearned gains/ (losses), being not available for distribution unless realised and charged to the consolidated income statement.

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities and gains and losses on risk management instruments that hedge the Group's net investment in foreign operations.

(f) Other reserves

This represents the Group's share of profit from investment in associates and joint arrangements, net of cash dividend received, as required by QCB regulations.

	2014	2013
Balance at 1 January	26,809	18,866
Share of results of associates	9,613	7,943
Dividend from associates transferred to retained earnings	(5,408)	-
Other movement	10,151	-
Balance at 31 December	**41,165**	**26,809**

QAR '000s

21. OWNERS' EQUITY (CONTINUED)

(g) **Proposed dividend**
The Board of Directors in its meeting held on 26 January 2015 proposed a cash dividend of 17.5% (2013: 15%) of the share capital amounting to QAR 1,313 million (2013: QAR 1,125 million).

This proposal is subject to the approval of the shareholders' annual general assembly and the regulators in the State of Qatar.

22. NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan GCC Fund (F), Al Rayan GCC Fund (Q) and Al Rayan Bank of 51.4%, 83.4% and 1.66%, respectively (31 December 2013: 43.6%, 73.3% and nil, respectively).

23. NET INCOME FROM FINANCING ACTIVITIES

	2014	2013
Income from Murabaha	1,742,128	1,488,861
Income from Istisna'a	33,979	32,963
Income from Ijarah	205,381	201,154
Income from Musharaka	119,647	20,026
	2,101,135	**1,743,004**

24. NET INCOME FROM INVESTING ACTIVITIES

	2014	2013
Income from investment in debt-type instruments	397,819	646,793
Net gain on sale of debt-type investments	24,176	1,897
Income from inter-bank placements with Islamic banks	23,169	9,963
Dividend income	20,141	8,387
Fair value gain on investment securities carried as fair value through income statement	3,576	22,597
Net gain on sale of equity-type investments	2,066	19,831
	470,947	**709,468**

25. NET FEE AND COMMISSION INCOME

	2014	2013
Commission on financing activities	135,611	83,619
Commission on trade finance activities	54,561	47,023
Commission on banking services	26,945	17,621
	217,117	**148,263**
Fee and commission expenses	(1,522)	(1,244)
	215,595	**147,019**

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26. FOREIGN EXCHANGE GAIN

	2014	2013
Dealing in foreign currencies	86,710	60,744
Revaluation of assets and liabilities	41	(336)
	86,751	**60,408**

27. OTHER INCOME

	2014	2013
Rental income	2,799	2,808
Miscellaneous	4,636	11,057
	7,435	**13,865**

28. STAFF COSTS

	2014	2013
Salaries, allowances and other staff costs	250,600	218,867
Staff indemnity costs	7,462	6,126
Staff pension fund costs	4,728	3,679
	262,790	**228,672**

29. OTHER EXPENSES

	2014	2013
Rent and maintenance	52,649	48,333
Advertising expenses	35,838	39,497
Legal, professional and consulting fees	19,257	14,846
Board of Directors' remuneration (Note 35/c)	18,471	15,444
Information technology	15,944	8,648
Shari'a Board compensation	2,028	1,620
Other operating expenses	55,803	26,568
	199,990	**154,956**

30. CONTINGENT LIABILITIES AND COMMITMENTS

(a) **Capital commitments**
The Group has long-term lease agreements for its office premises. The future aggregate minimum lease payments under these rent agreements are as follows:

	2014	2013
Payable not later than 1 year	24,407	23,795
Payable later than 1 year and not later than 5 years	20,168	34,397
	44,575	**58,192**

QAR '000s

(b) Contingent liabilities

	2014	2013
Unutilised credit facilities	20,771,239	15,290,101
Guarantees	12,984,353	8,040,566
Letters of credit	8,662,418	11,430,735
	42,418,010	**34,761,402**

(c) Other undertakings and commitments

	2014	2013
Profit rate swap	4,505,943	-
Unilateral promise to buy/sell currencies	23,849,089	18,516,075
	28,355,032	**18,516,075**

31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

2014	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with QCB	3,306,749	-	4,562	-	-	**3,311,311**
Due from banks	1,788,985	1,485,439	161,706	112,938	53,704	**3,602,772**
Financing assets	52,061,010	143,542	5,702,388	-	-	**57,906,940**
Investment securities	12,831,389	773,167	78,024	513,158	92,573	**14,288,311**
Investment in associates and joint arrangements	77,754	346,244	-	-	-	**423,998**
Investment property	91,250	-	-	-	-	**91,250**
Fixed assets	117,755	-	1,481	-	-	**119,236**
Other assets	331,343	-	19,107	-	-	**350,450**
Total assets	**70,606,235**	**2,748,392**	**5,967,268**	**626,096**	**146,277**	**80,094,268**
Due to banks	2,377,353	1,977,589	18,745	1	186,605	**4,560,293**
Customer current accounts	4,531,713	14,756	324,694	21	7,068	**4,878,252**
Other liabilities	1,228,015	-	14,907	-	-	**1,242,922**
Total liabilities	8,137,081	1,992,345	358,346	22	193,673	**10,681,467**
Equity of investment account holders	52,468,474	2,690,622	285,140	34	2,248,031	**57,692,301**
Total Liabilities and Equity of Investment Account Holders	**60,605,555**	**4,682,967**	**643,486**	**56**	**2,441,704**	**68,373,768**

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31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Geographical sector (continued)

2013	Qatar	Other GCC	Europe	North America	Others	Total
Cash and balances with QCB	3,510,514	-	-	-	-	3,510,514
Due from banks	1,461,862	2,511,452	89,436	268,596	3,321	4,334,667
Financing assets	40,463,688	100,294	876,189	-	27	41,440,198
Investment securities	14,437,302	471,229	70,444	-	37,652	15,016,627
Investment in associates and joint arrangements	1,110,981	346,297	-	-	-	1,457,278
Investment property	91,250	-	-	-	-	91,250
Fixed assets	55,283	-	-	-	-	55,283
Other assets	641,820	-	-	-	-	641,820
Total assets	**61,772,700**	**3,429,272**	**1,036,069**	**268,596**	**41,000**	**66,547,637**
Due to banks	4,105,277	1,932,057	30,155	2	697,576	6,765,067
Customer current accounts	3,509,925	2,103	1,151	2	1,221	3,514,402
Other liabilities	746,906	-	-	-	-	746,906
Total liabilities	8,362,108	1,934,160	31,306	4	698,797	11,026,375
Equity of investment account holders	44,123,821	662,859	20,375	-	9,810	44,816,865
Total Liabilities and Equity of Investment Account Holders	**52,485,929**	**2,597,019**	**51,681**	**4**	**708,607**	**55,843,240**

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31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector

QAR '000s

2014	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with QCB	-	-	-	3,311,311	-	-	**3,311,311**
Due from banks	-	-	-	3,602,772	-	-	**3,602,772**
Financing assets	11,441,065	944,171	536,319	5,271,440	3,983,427	35,730,518	**57,906,940**
Investment securities	290,222	232,124	11,226	480,754	-	13,273,985	**14,288,311**
Investment in associates and joint arrangements	31,463	-	-	361,765	-	30,770	**423,998**
Investment property	91,250	-	-	-	-	-	**91,250**
Fixed assets	-	-	-	-	-	119,236	**119,236**
Other assets	-	-	-	-	-	350,450	**350,450**
Total assets	**11,854,000**	**1,176,295**	**547,545**	**13,028,042**	**3,983,427**	**49,504,959**	**80,094,268**
Due to banks	-	-	-	4,560,293	-	-	**4,560,293**
Customer current accounts	152,833	186,739	3,046	186,465	1,970,829	2,378,340	**4,878,252**
Other liabilities	-	-	-	-	-	1,242,922	**1,242,922**
Total liabilities	152,833	186,739	3,046	4,746,758	1,970,829	3,621,262	**10,681,467**
Equity of investment account holders	163,491	859,095	754	117,973	7,523,703	49,027,285	**57,692,301**
Total Liabilities and Equity of Investment Account Holders	**316,324**	**1,045,834**	**3,800**	**4,864,731**	**9,494,532**	**52,648,547**	**68,373,768**

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31. CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (CONTINUED)

Industrial sector (continued)

QAR '000s

2013	Real estate	Construction, engineering and manufacturing	Oil and gas	Financial services	Individuals	Others	Total
Cash and balances with QCB	-	-	-	3,510,514	-	-	**3,510,514**
Due from banks	-	-	-	4,334,667	-	-	**4,334,667**
Financing assets	6,772,341	880,927	461,155	5,933,958	1,525,655	25,866,162	**41,440,198**
Investment securities	278,985	63,991	6,149	187,676	-	14,479,826	**15,016,627**
Investment in associates and joint arrangements	1,072,959	-	-	360,687	-	23,632	**1,457,278**
Investment property	91,250	-	-	-	-	-	**91,250**
Fixed assets	-	-	-	-	-	55,283	**55,283**
Other assets	-	-	-	-	-	641,820	**641,820**
Total assets	**8,215,535**	**944,918**	**467,304**	**14,327,502**	**1,525,655**	**41,066,723**	**66,547,637**
Due to banks	-	-	-	6,765,067	-	-	**6,765,067**
Customer current accounts	3,439	126,912	2,541	20,053	1,399,977	1,961,480	**3,514,402**
Other liabilities	-	-	-	-	-	746,906	**746,906**
Total liabilities	3,439	126,912	2,541	6,785,120	1,399,977	2,708,386	**11,026,375**
Equity of investment account holders	12,104	152,808	1,100	131,812	4,942,875	39,576,166	**44,816,865**
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	**15,543**	**279,720**	**3,641**	**6,916,932**	**6,342,852**	**42,284,552**	**55,843,240**

QAR '000s

32. MATURITY PROFILE

2014	Up to 3 months	3 - 6 months	6 months - 1 year	1-5 years	Over 5 years	Total
Cash and balances with QCB	559,957	-	-	-	2,751,354	**3,311,311**
Due from banks	3,602,772	-	-	-	-	**3,602,772**
Financing assets	14,315,575	5,075,421	3,350,039	16,395,863	18,770,042	**57,906,940**
Investment securities	2,307,335	825,484	-	9,154,882	2,000,610	**14,288,311**
Investment in associates and joint arrangements	-	-	-	-	423,998	**423,998**
Investment property	-	-	-	-	91,250	**91,250**
Fixed assets	-	-	-	-	119,236	**119,236**
Other assets	350,450	-	-	-	-	**350,450**
Total assets	**21,136,089**	**5,900,905**	**3,350,039**	**25,550,745**	**24,156,490**	**80,094,268**
Due to banks	4,478,013	82,280	-	-	-	**4,560,293**
Customer current accounts	4,878,252	-	-	-	-	**4,878,252**
Other liabilities	1,242,922	-	-	-	-	**1,242,922**
Total liabilities	10,599,187	82,280	-	-	-	**10,681,467**
Equity of investment account holders	47,547,366	5,506,884	3,951,739	686,312	-	**57,692,301**
Total Liabilities and Equity of Investment Account Holders	**58,146,553**	**5,589,164**	**3,951,739**	**686,312**	**-**	**68,373,768**
Maturity Gap	**(37,010,464)**	**311,741**	**(601,700)**	**24,864,433**	**24,156,490**	**11,720,500**

2013	Up to 3 months	3 - 6 months	6 months - 1 year	1-5 years	Over 5 years	Total
Cash and balances with QCB	1,237,196	-	-	-	2,273,318	**3,510,514**
Due from banks	4,334,667	-	-	-	-	**4,334,667**
Financing assets	21,102,229	7,941,272	2,565,103	5,116,563	4,715,031	**41,440,198**
Investment securities	10,435,024	496,610	-	3,018,988	1,066,005	**15,016,627**
Investment in associates and joint arrangements	-	-	-	-	1,457,278	**1,457,278**
Investment property	-	-	-	-	91,250	**91,250**
Fixed assets	-	-	-	-	55,283	**55,283**
Other assets	641,820	-	-	-	-	**641,820**
Total Assets	**37,750,936**	**8,437,882**	**2,565,103**	**8,135,551**	**9,658,165**	**66,547,637**
Due to banks	6,765,067	-	-	-	-	**6,765,067**
Customer current accounts	3,514,402	-	-	-	-	**3,514,402**
Other liabilities	746,906	-	-	-	-	**746,906**
Total liabilities	11,026,375	-	-	-	-	**11,026,375**
Equity of investment account holders	39,988,078	3,083,008	1,148,395	597,384	-	**44,816,865**
Total Liabilities and Equity of Investment Account Holders	**51,014,453**	**3,083,008**	**1,148,395**	**597,384**	**-**	**55,843,240**
Maturity Gap	**(13,263,517)**	**5,354,874**	**1,416,708**	**7,538,167**	**9,658,165**	**10,704,397**

QAR '000s

33. BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

	2014	2013
Profit for the year attributable to owners of the Bank	2,002,243	1,702,270
Weighted average number of shares outstanding during the year (thousand) (a)	750,000	750,000
Basic earnings per share (QAR)	2.670	2.270

(a) The weighted average number of shares has been calculated as follows:

	2014 Nos'000	2013 Nos'000
Weighted average number of shares at 1 January / 31 December	750,000	750,000

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

34. CASH AND CASH EQUIVALENTS

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

	2014	2013
Cash on hand and balances with QCB excluding cash reserve	559,777	1,237,196
Due from banks	3,602,772	4,334,667
	4,162,549	**5,571,863**

The above balances include cash acquired from business combination as follows:

	2014	2013
Cash on hand	5,202	-
Due from banks	884,233	-
	889,435	**-**

35. RELATED PARTIES

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

Transactions with related parties

(a) Consolidated statement of financial position items

	2014	2013
Liabilities		
Current account - customer	166	184
Equity of investment account holders - customer	2,476,007	3,541,599
	2,476,173	**3,541,783**

QAR '000s

35. RELATED PARTIES (CONTINUED)

(b) Consolidated income statement items

	2014	2013
Gain from foreign exchange operations - customer	-	21
Return on equity of investment account holders - customer	9,101	13,541

(c) Transactions with key management personnel
Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2014	2013
Financing	12,229	10,011

The remuneration of directors and other members of key management during the year were as follows:

	2014	2013
Remuneration to Board of Directors including meeting allowances (Note 29)	18,471	15,444
Salaries and other benefits	17,595	8,649

36. RISK MANAGEMENT INSTRUMENTS

(a) Profit rate swap
Swaps are commitments to exchange one set of cash flows for another. In the case of profit rate swaps, counterparties generally exchange fixed and floating profit payments in a single currency without exchanging principal. In the case of currency swaps, fixed profit payments and principal are exchanged in different currencies.

(b) Unilateral promise to buy/sell currencies
Unilateral promises to buy/sell currencies are promises to either buy or sell a specified currency at a specific price and date in the future. The actual transactions are executed on the promise dates, by exchanging the purchase/sale offers and acceptances between the relevant parties.

The table below shows the positive and negative fair values of derivative financial instruments together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved and the credit and market risk, which can be identified from the derivatives fair value.

2014	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
Risk management instruments							
Profit rate swaps	14	14	4,505,943	-	239,122	3,972,151	294,670
Unilateral promise to buy/sell currencies	15,292	15,321	23,849,089	19,871,160	3,977,929	-	-
	15,306	**15,335**	**28,355,032**	**19,871,160**	**4,217,051**	**3,972,151**	**294,670**

2013	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 - 12 months	1 - 5 years	Over 5 years
Risk management instruments							
Unilateral promise to buy/sell currencies	13,112	6,443	18,516,075	14,002,272	4,513,803	-	-

QAR '000s

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

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

39. SOCIAL RESPONSIBILITY
Pursuant to Law No. 13 of 2008 and further clarifications of the law issued in 2010, the Group made an appropriation of QAR 50.1 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2014 (2013: QAR 42.6 million) for the support of sports, cultural and charitable activities.

40. COMPARATIVE FIGURES
The comparative figures presented for 2013 have been reclassified where necessary to preserve consistency with the 2014 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

SUPPLEMENTARY FINANCIAL INFORMATION

AT 31 DECEMBER

QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK

(a) **Statement of Financial Position of The Parent Bank**

	2014	2013
ASSETS		
Cash and balances with QCB	3,226,457	3,462,880
Due from banks	3,291,397	4,334,667
Financing assets	55,494,239	41,440,198
Investment securities	12,960,475	14,590,847
Investment in subsidiaries, associates and joint arrangements	1,472,903	1,902,490
Investment property	91,250	91,250
Fixed assets	116,927	54,008
Other assets	287,533	637,544
TOTAL ASSETS	**76,941,181**	**66,513,884**
LIABILITIES		
Due to banks	4,672,728	6,996,087
Customer current accounts	4,518,133	3,521,413
Other liabilities	1,356,295	739,378
TOTAL LIABILITIES	**10,547,156**	**11,256,878**
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**55,183,751**	**44,824,544**
OWNERS' EQUITY		
Share capital	7,500,000	7,500,000
Legal reserve	1,033,195	632,746
Risk reserve	1,008,646	875,414
Fair value reserves	7,374	7,490
Retained earnings	1,661,059	1,416,812
TOTAL OWNERS' EQUITY	**11,210,274**	**10,432,462**
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**76,941,181**	**66,513,884**

SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER

QAR '000s

FINANCIAL STATEMENTS OF THE PARENT BANK (CONTINUED)

(b) **Income Statement of The Parent Bank**

	2014	2013
Net income from financing activities	2,021,620	1,743,004
Net income from investing activities	407,641	646,424
Total net income from financing and investing activities	**2,429,261**	**2,389,428**
Fee and commission income	191,436	135,235
Fee and commission expense	(1,223)	(1,244)
Net fee and commission income	**190,213**	**133,991**
Foreign exchange gain	86,789	60,441
Gain on sale of investment in an associate	186,143	-
Other income	11,001	13,399
TOTAL INCOME	**2,903,407**	**2,597,259**
Staff costs	(218,428)	(214,522)
Depreciation	(13,777)	(15,317)
Other expenses	(155,582)	(145,868)
Finance expense	(58,037)	(80,924)
TOTAL EXPENSES	**(445,824)**	**(456,631)**
Net (impairment losses) / recoveries / reversals on financing assets	(12,466)	11,332
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	**2,445,117**	**2,151,960**
Less: Return to investment account holders	(481,971)	(475,366)
NET PROFIT FOR THE YEAR	**1,963,146**	**1,676,594**