CONSOLIDATED FINANCIAL STATEMENTS

MASRAF AL RAYAN (Q.S.C.)

31 DECEMBER 2013

CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2013

Contents

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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 2013, 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 2013, 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 which we consider necessary for the purpose of our audit. The Bank has maintained proper accounting records and the consolidated financial statements are in agreement therewith. We have reviewed the accompanying report of the Board of Directors and confirm that the consolidated financial information contained therein is in agreement with the books and records of the Bank. We are not aware of any violations of the applicable provisions of Qatar Central Bank Law No. 13 of 2012, Qatar Commercial Law No. 5 of 2002 or the terms of Articles of Association and the amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Bank or its consolidated financial position as at 31 December 2013.

27 January 2014
Doha
State of Qatar

Gopal Balasubramaniam
KPMG
Qatar Auditor's Registry No. 251

Masraf Al Rayan (Q.S.C.) QAR '000s

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	***2013***	*2012*
ASSETS			
Cash and balances with Qatar Central Bank	8	**3,510,514**	2,267,508
Due from banks	9	**4,334,667**	2,627,154
Financing assets	10	**41,440,198**	41,719,216
Investment securities	11	**15,016,627**	13,011,322
Investment in associates and joint arrangements	12	**1,457,278**	1,449,521
Investment property	13	**91,250**	91,250
Fixed assets	14	**55,283**	62,218
Other assets	15	**641,820**	400,196
TOTAL ASSETS		**66,547,637**	61,628,385
LIABILITIES			
Due to banks	16	**6,765,067**	6,383,877
Customer current accounts	17	**3,514,402**	2,502,739
Other liabilities	18	**746,906**	500,828
TOTAL LIABILITIES		**11,026,375**	9,387,444
EQUITY OF INVESTMENT ACCOUNT HOLDERS	19	**44,816,865**	42,506,876
OWNERS' EQUITY			
Share capital	20	**7,500,000**	7,500,000
Legal reserve	20	**632,746**	292,292
Risk reserve	20	**875,414**	787,141
Fair value reserves	20	**26,888**	9,244
Other reserves	20	**26,809**	18,866
Retained earnings		**1,461,491**	988,448
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK		**10,523,348**	9,595,991
Non-controlling interests	21	**181,049**	138,074
TOTAL OWNERS' EQUITY		**10,704,397**	9,734,065
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY		**66,547,637**	61,628,385

These consolidated financial statements were approved by the Board of Directors on 27 January 2014 and were signed on its behalf by:

Dr. Hussam 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

Masraf Al Rayan (Q.S.C.) QAR '000s

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December

	Notes	*2013*	*2012*
Net income from financing activities	22	**1,743,004**	1,601,745
Net income from investing activities	23	**709,468**	697,856
Total net income from financing and investing activities		**2,452,472**	2,299,601
Fee and commission income		**148,263**	114,176
Fee and commission expense		**(1,244)**	(1,618)
Net fee and commission income	24	**147,019**	112,558
Foreign exchange gain	25	**60,408**	46,783
Share of results of associates	12	**7,943**	6,876
Other income	26	**13,865**	36,232
TOTAL INCOME		**2,681,707**	2,502,050
Staff costs	27	**(228,672)**	(210,199)
Depreciation	14	**(16,049)**	(19,129)
Other expenses	28	**(154,956)**	(119,021)
Finance expense		**(77,774)**	(104,689)
TOTAL EXPENSES		**(477,451)**	(453,038)
Net recoveries / reversals on financing assets		**11,332**	34,457
Net impairment losses on investment securities		**(1,157)**	-
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS		**2,214,431**	2,083,469
Less: Return to investment account holders	19	**(475,366)**	(561,957)
PROFIT FOR THE YEAR BEFORE TAX		**1,739,065**	1,521,512
Tax expense		-	(1,623)
NET PROFIT FOR THE YEAR		**1,739,065**	1,519,889
Net profit for the year attributable to:			
Equity holders of the Bank		**1,702,270**	1,504,213
Non-controlling interests		**36,795**	15,676
		1,739,065	1,519,889
BASIC AND DILUTED EARNINGS PER SHARE (QAR)	32	**2.270**	2.006

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

Masraf Al Rayan (Q.S.C.) QAR '000s

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY
For the year ended 31 December

	Share capital	*Legal reserve*	*Risk reserve*	*Fair value reserves*	*Other reserves*	*Retained earnings*	*Total equity attributable to equity holders of the Bank*	*Non-controlling interests*	*Total owners' equity*
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
Dividends paid	-	-	-	-	-	(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**
Balance at 1 January 2012	7,500,000	141,871	450,000	8,795	11,990	391,278	8,503,934	343	8,504,277
Fair value reserve movement	-	-	-	449	-	-	449	-	449
Profit for the year	-	-	-	-	-	1,504,213	1,504,213	15,676	1,519,889
Dividends paid	-	-	-	-	-	(375,000)	(375,000)	-	(375,000)
Transfer to legal reserve	-	150,421	-	-	-	(150,421)	-	-	-
Transfer to risk reserve	-	-	337,141			(337,141)	-	-	-
Transfer to other reserves	-	-	-	-	6,876	(6,876)	-	-	
Social and sports fund appropriation	-	-	-	-	-	(37,605)	(37,605)	-	(37,605)
Net movement in non-controlling interests	-	-	-	-	-	-	-	122,055	122,055
Balance at 31 December 2012	7,500,000	292,292	787,141	9,244	18,866	988,448	9,595,991	138,074	9,734,065

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

Masraf Al Rayan (Q.S.C.) QAR 000s

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		1,739,065	1,521,512
Adjustments for:			
Net recoveries on financing assets	10(b)	(11,332)	(34,457)
Impairment loss on investment securities	11	1,157	-
Fair value gain on investment securities carried as fair value through income statement	23	(22,597)	(15,616)
Depreciation	14	16,049	19,129
Net gain on sale of investment securities	23	(21,728)	(14,966)
Dividend income	23	(8,387)	(7,985)
Share of results of associates and joint arrangements	12	(7,943)	(6,876)
Amortisation of premium and discount on investment securities		(404)	(3,623)
Profit before changes in operating assets and liabilities		**1,683,880**	1,457,118
Change in reserve account with Qatar Central Bank		(297,203)	(468,615)
Change in financing assets		290,350	(8,393,932)
Change in other assets		(241,624)	(61,402)
Change in due to banks		381,190	(6,811,384)
Change in customer current accounts		1,011,663	(1,668,619)
Change in other liabilities		117,260	(68,016)
		2,945,516	(16,014,850)
Dividend received		8,387	7,985
Tax paid		(1,559)	(1,009)
Net cash from (used in) operating activities		**2,952,344**	(16,007,874)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(3,486,569)	(684,177)
Proceed from sale/redemption of investment securities		1,542,410	1,162,641
Acquisition of fixed assets	14	(10,313)	(10,841)
Investment in associates	12	1,000	(11,359)
Investment securities reclassified to subsidiaries		-	66,138
Net cash (used in) from investing activities		**(1,953,472)**	522,402
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in equity of investment account holders		2,309,245	13,609,880
Dividends paid		(660,981)	(347,842)
Net movement in non-controlling interest		6,180	122,055
Net cash from financing activities		**1,654,444**	13,384,093
Net increase (decrease) in cash and cash equivalents		2,653,316	(2,101,379)
Cash and cash equivalents at 1 January		2,918,547	5,019,926
Cash and cash equivalents at 31 December	33	**5,571,863**	2,918,547

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

Masraf Al Rayan (Q.S.C.) QAR '000s

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS
For the year ended 31 December

	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**

	At 1 January 2012			Movements during the year			At 31 December 2012		
	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	229,802	(214,482)	15,320	1	2,518,381	2,518,381

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

Masraf Al Rayan (Q.S.C.) 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 2013 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). The Bank is primarily involved in 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*	
				2013	*2012*
Al Rayan Investment LLC	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	**56.4%**	63.4%
Al Rayan GCC Fund (Q)	Qatar	Not applicable**	Investment activities	**26.7%**	26.5%
SapuraCrest Qatar L.L.C.*	Qatar	QAR 700,000	Oil and gas services	**-**	51.0%
Al Rayan Partners *	Qatar	QAR 10,000,000	Real estate consulting	**100.0%**	100.0%

* subsidiaries of Al Rayan Investment L.L.C.
** open-ended funds

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.

(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.

2 BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Investment securities (continued)

(i) *Classification (continued)*

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Other financial assets and liabilities (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Equity of investment account holders (continued)

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue recognition (continued)

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. A tax provision is made based on an evaluation of the expected tax liability. The Group operates its activities inside Qatar and is not subject to tax, except Al Rayan Investment whose profits are subject to tax as per Qatar Financial Center Authority regulations.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(cc) Parent bank financial information

Statement of financial position and income statement of the Parent bank, disclosed as supplementary financial information, 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 2013:
The following accounting standards and interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 and are expected to be relevant to the Group:

FAS – 26 'Investment in Real estate'
The entity has adopted Financial Accounting Standard 26 ("FAS 26") "Investment in real estate" issued by AAOIFI during 2012, which is effective from 1 January 2013. The new standard replaces the requirements of FAS 17 which was applied for investments in real estate. The significant requirement of the standard is that for investment in real estate held-for-use, the entity shall choose either fair value model or cost model as its accounting policy. Where the entity adopts the fair value model, the fair value changes should be directly recognised in equity under 'property fair value reserve'. The standard has to be applied retroactively. Previously, the entity was following the cost model.

The adoption of the new standard did not have any material impact on the entity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(dd) New standards and interpretations (continued)

New standards, amendments and interpretations issued but not yet effective
There are no AAOIFI accounting standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the Group.

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.

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 FINANCIAL RISK MANAGEMENT (continued)

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.

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.

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

	2013	*2012*
Credit risk exposures relating to financial assets recorded on the consolidated statement of financial position are as follows:		
Cash and balances with QCB (excluding cash on hand)	**3,227,597**	2,062,705
Due from banks	**4,334,667**	2,627,154
Financing assets	**41,440,198**	41,719,216
Investment securities - debt	**14,714,915**	12,827,223
Other assets	**390,206**	326,480
	64,107,583	59,562,778
Other credit risk exposures are as follows:		
Guarantees	**8,040,566**	5,510,161
Letters of credit	**11,430,735**	2,711,280
Unutilized credit facilities	**15,290,101**	7,403,642
	34,761,402	15,625,083

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.

4.2.4 Concentration of risks of financial assets with credit risk exposure

(a) By Geographical Sector

	Qatar	*Other GCC*	*Other Middle East*	*Others*	*Total*
2013					
Assets recorded on the consolidated statement of financial position:					
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**

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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

(a) By Geographical Sector (continued)

2012	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Assets recorded on the consolidated statement of financial position:					
Cash and balances with QCB (excluding cash on hand)	2,062,705	-	-	-	2,062,705
Due from banks	28,280	1,325,962	685	1,272,227	2,627,154
Financing assets	40,928,223	-	65,529	725,464	41,719,216
Investment securities - debt	12,464,033	359,294	3,896	-	12,827,223
Other assets	326,480	-	-	-	326,480
	55,809,721	1,685,256	70,110	1,997,691	59,562,778

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**

2012	*Qatar*	*Other GCC*	*Other Middle East*	*Others*	*Total*
Guarantees	3,729,002	3,469	732,489	1,045,201	5,510,161
Letters of credit	2,711,280	-	-	-	2,711,280
Unutilized credit facilities	7,230,417	200	-	173,025	7,403,642
	13,670,699	3,669	732,489	1,218,226	15,625,083

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.4 Concentration of risks of financial assets with credit risk exposure (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 2013	*Gross exposure 2012*
Funded and unfunded		
Government	**20,677,331**	16,693,441
Government agencies	**17,205,605**	21,086,793
Industry	**624,025**	554,665
Commercial	**2,577,486**	1,438,475
Services	**13,355,821**	9,004,304
Contracting	**718,057**	176,069
Real estate	**7,010,210**	8,832,122
Personal	**1,525,655**	1,447,936
Others	**413,393**	328,973
Contingent liabilities	**34,761,402**	15,625,083
Total	**98,868,985**	75,187,861

Credit risk exposure

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

	2013	*2012*
Equivalent grades		
AAA to AA-	**37,877,355**	29,599,854
A+ to A-	**3,143,764**	1,667,031
BBB to BBB-	**7,510**	7,057
BB+ to B-	**485,607**	-
Unrated	**57,354,749**	43,913,919
	98,868,985	75,187,861

Masraf Al Rayan (Q.S.C.) QAR '000s

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*	
	2013	*2012*	***2013***	*2012*	***2013***	*2012*	***2013***	*2012*
Neither past due nor impaired (low risk):								
Investment grade	**20,574,942**	14,284,940	**-**	-	**14,056,702**	12,300,000	**-**	-
Standard monitoring	**20,186,237**	26,876,425	**4,334,667**	2,627,154	**629,089**	498,099	**390,206**	326,480
Special monitoring	**312,796**	-	**-**	-	**-**	-	**-**	-
Carrying amount	**41,073,975**	41,161,365	**4,334,667**	2,627,154	**14,685,791**	12,798,099	**390,206**	326,480
Past due but not impaired (special mentioned):								
Investment grade	**-**	-	**-**	-	**-**	-	**-**	-
Standard monitoring	**274,914**	481,618	**-**	-	**-**	-	**-**	-
Special monitoring	**86,044**	86,044	**-**	-	**-**	-	**-**	-
Carrying amount	**360,958**	567,662	**-**	-	**-**	-	**-**	-
Impaired								
Substandard (overdue > 3 months)	**985**	1,746	**-**	-	**-**	-	**-**	-
Doubtful (overdue > 6 months)	**-**	146	**-**	-	**-**	-	**-**	-
Loss (overdue > 9 months)	**41,405**	38,019	**-**	-	**50,967**	50,967	**3,126**	3,126
	42,390	39,911	**-**	-	**50,967**	50,967	**3,126**	3,126
Less: impairment allowance-specific	**(31,522)**	(28,111)	**-**	-	**(21,843)**	(21,843)	**(3,126)**	(3,126)
Less: impairment allowance-collective	**(5,603)**	(21,611)	**-**	-	**-**	-	**-**	-
Carrying amount	**5,265**	(9,811)	**-**	-	**29,124**	29,124	**-**	-
Carrying amount – net	**41,440,198**	41,719,216	**4,334,667**	2,627,154	**14,714,915**	12,827,223	**390,206**	326,480

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.5 Credit quality (continued)

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.

	2013	*2012*
Up to 30 days	**164,435**	389,310
31 to 60 days	**31,015**	22,448
61 – 90 days	**165,508**	155,904
Gross	**360,958**	567,662

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:

	2013	*2012*
Continuing to be impaired after restructuring	**12,693**	-
Non–impaired after restructuring – would otherwise not have been impaired	**6,494**	291,767
	19,187	291,767

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

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	
Past due category:	***2013***	*2012*
Up to 30 days	**317,291**	81,207
31 to 60 days	**40**	53,155
61 – 90 days	**1,607**	75,384
91 days and above	**26,253**	40,890
	345,191	250,636

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 105 thousand (2012: QAR 22 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.

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT(continued)

4.3 Market risk (continued)

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

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

	Carrying amount	*Less than 3 months*	*3 to12 months*	*Re-pricing in: 1 to 5 years*	*Over 5 years*	*Non-profit sensitive*	*Effective profit rate*
2013							
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)**	

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT(continued)

4.3 Market risk (continued)

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

	Carrying amount	*Less than 3 months*	*3 to12 months*	*Re-pricing in: 1 to 5 years*	*Over 5 years*	*Non-profit sensitive*	*Effective profit rate*
2012							
Cash and balances with QCB	2,267,508	-	-	-	-	2,267,508	
Due from banks	2,627,154	1,146,566	-	-	-	1,480,588	0.49%
Financing assets	41,719,216	31,330,832	2,863,438	6,209,119	1,315,827	-	4.29%
Investment securities	12,661,633	201,638	159,995	-	-	12,300,000	5.46%
	59,275,511	32,679,036	3,023,433	6,209,119	1,315,827	16,048,096	
Due to banks	(6,383,877)	(5,090,023)	(727,475)	-	-	(566,379)	1.27%
Customer current accounts	(2,502,739)	-	-	-	-	(2,502,739)	
	(8,886,616)	(5,090,023)	(727,475)	-	-	(3,069,118)	
Equity of investment account holders	(42,506,876)	(39,582,522)	(2,367,776)	(419,445)	-	(137,133)	1.30%
Consolidated statement of financial position items	7,882,019	(11,993,509)	(71,818)	5,789,674	1,315,827	12,841,845	
Off consolidated statement of financial position items	17,620,134	12,540,714	5,079,420	-	-	-	
Profit Rate Sensitivity Gap	(9,738,115)	(24,534,223)	(5,151,238)	5,789,674	1,315,827	12,841,845	
Cumulative Profit Rate Sensitivity Gap	(9,738,115)	(24,534,223)	(29,685,461)	(23,895,787)	(22,579,960)	(9,738,115)	

Masraf Al Rayan (Q.S.C.) QAR '000s

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**
2013		
At 31 December	892	(892)
2012		
At 31 December	714	(714)

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).

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Market risk (continued)

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

	2013	*2012*
Net foreign currency exposure:		
EUR	**(99)**	(1,719)
GBP	**191**	4,188
Others	**6,160**	5,847

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	
	2013	*2012*
5% increase / (decrease) in currency exchange rate		
EUR	**(5)**	(86)
GBP	**10**	209
Others	**308**	292

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

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:

	2013	*2012*
5% increase / (decrease) in QE 30 index/other indices		
Increase / (decrease) in profit and loss	**9,052**	7,964
Increase / (decrease) in equity	**5,858**	988

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

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 instrument s 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:

	2013	*2012*
At 31 December	**126%**	105%
Average for the year	**106%**	110%
Maximum for the year	**126%**	132%
Minimum for the year	**99%**	100%

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis

Maturity analysis of the Group's financial assets is prepared on the basis of their expected maturity, whereas maturity analysis of Group's liabilities is prepared on the basis of their contractual maturity.

2013	*Carrying amount*	*Less than one month*	*1-3 months*	*3 months to 1 year*	*1-5 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**

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

4.4.2 Maturity analysis (continued)

2012	*Carrying amount*	*Less than one month*	*1-3 months*	*3 months to 1 year*	*1-5 years*	*More than 5 years*
Cash and balances with QCB	2,267,508	291,393	-	-	-	1,976,115
Due from banks	2,627,154	2,627,154	-	-	-	-
Financing assets	41,719,216	22,064,331	9,266,501	2,863,438	6,209,119	1,315,827
Investment securities - debt	12,827,223	-	1,050,000	209,328	10,207,079	1,360,816
Other assets	326,480	319,539	-	6,941	-	-
Total financial assets	59,767,581	25,302,417	10,316,501	3,079,707	16,416,198	4,652,758
Due to banks	6,383,877	4,439,854	1,216,548	727,475	-	-
Customer current accounts	2,502,739	2,502,739	-	-	-	-
Total financial liabilities	8,886,616	6,942,593	1,216,548	727,475	-	-
Equity of investment account holders	42,506,876	29,791,732	9,927,923	2,367,776	419,445	-
Total financial liabilities and equity of investment account holders	51,393,492	36,734,325	11,144,471	3,095,251	419,445	-
Difference	8,374,089	(11,431,908)	(827,970)	(15,544)	15,996,753	4,652,758

Masraf Al Rayan (Q.S.C.) QAR '000s

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.

	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*
2013							
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**	**-**

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Liquidity risk (continued)

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

	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*
2012							
Non-derivative liabilities							
Due to banks	6,383,877	6,389,898	4,291,116	1,370,324	728,458	-	-
Customer current accounts	2,502,739	2,502,739	2,502,739	-	-	-	-
Other liabilities	500,828	500,828	500,828	-	-	-	-
Total liabilities	9,387,444	9,393,465	7,294,683	1,370,324	728,458	-	-
Equity of investment account holders	42,506,876	42,601,275	29,783,003	9,978,583	2,396,953	442,736	-
Risk management instruments							
Risk management:	3,865						
Outflow		(5,968)	(70)	(103)	(5,795)	-	-
Inflow		9,833	47	439	9,347	-	-
	51,898,185	51,998,605	37,077,663	11,349,243	3,128,963	442,736	-

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

	2013	*2012*
Tier 1 Capital	**7,537,585**	7,180,731
Tier 2 Capital	**-**	-
Total regulatory capital	**7,537,585**	7,180,731

Tier 1 capital includes paid up share capital, legal reserve, other reserves and retained earnings after excluding proposed dividend.

Masraf Al Rayan (Q.S.C.) QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.6 Capital management (continued)

Regulatory capital (continued)

Tier 2 capital comprises the risk reserve and fair value reserve (45% if positive and 100% if negative).

Risk weighted assets and carrying amounts

	Basel II Risk weighted amount		*Carrying amount*	
	2013	*2012*	***2013***	*2012*
Cash and balances with QCB	-	-	3,510,514	2,267,508
Due from banks	2,161,899	1,027,914	4,334,667	2,627,154
Financing assets	20,260,711	32,325,730	41,440,198	41,719,216
Investment securities	1,202,537	714,435	15,016,627	13,011,322
Fixed assets and other assets	697,103	462,414	697,103	462,414
Off balance sheet assets	8,613,615	4,638,459	37,987,376	25,841,575
Total risk weighted assets for credit risk	**32,935,865**	39,168,952	**102,986,485**	85,929,189
Risk weighted assets for market risk	245,488	407,228		
Risk weighted assets for operational risk	3,499,990	2,965,796		
	3,745,478	3,373,024		

	2013	*2012*
Risk weighted assets	**36,681,343**	42,541,976
Regulatory capital	**7,537,585**	7,180,731
Risk weighted assets as a percentage of regulatory capital (capital ratio)	**20.55%**	16.88%

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

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 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.

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5 USE OF ESTIMATES AND JUDGMENTS (continued)

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

(i) *Valuation of financial instruments(continued)*

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.

(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:

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**

2012	*Level 1*	*Level 2*	*Level 3*	*Total*
Risk management instruments	-	13,256	-	13,256
Investment securities	344,619	-	-	344,619
	344,619	13,256	-	357,875
Risk management instruments	-	9,391	-	9,391
	-	9,391	-	9,391

The fair value of financial assets and financial liabilities not carried at fair value is equal to the carrying value hence, not included in the fair value hierarchy table.

Investment securities totalling QAR 4,678 thousand are carried at cost (2012: QAR 5,070 thousand).

During the reporting periods 31 December 2013 and 2012, there were no transfers among Levels 1, 2 and 3 fair value measurements.

5 USE OF ESTIMATES AND JUDGMENTS

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

(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.

6 OPERATING SEGMENTS

The Group has three 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.

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

Masraf Al Rayan (Q.S.C.) QAR '000s

6 OPERATING SEGMENTS (continued)

Information about operating segments

2013	***Corporate Banking***	***Retail Banking***	***Asset Management***	***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 arrangements	-	-	-	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 recoveries (impairment losses) 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	**49,317,021**	**6,002,035**	**5,994**	**518,190**	**55,843,240**

2012	*Corporate Banking*	*Retail Banking*	*Asset Management*	*Unallocated*	*Total*
External revenue:					
Total income from financing and investing activities	2,062,766	189,096	47,739	-	2,299,601
Net fee and commission income	103,464	-	9,094	-	112,558
Foreign exchange gain / (loss)	46,810	-	(27)	-	46,783
Share of results of associates and joint arrangements	-	-	-	6,876	6,876
Other income	-	-	540	35,692	36,232
Total segment revenue	2,213,040	189,096	57,346	42,568	2,502,050
Other material non-cash items:					
Net impairment loss on investment securities	-	-	-	-	-
Net recoveries (impairment losses) on financing assets	35,580	(1,123)	-	-	34,457
Reportable segment profit before tax	1,670,470	126,481	39,438	(330,553)	1,505,836
Reportable segment assets	56,252,168	4,445,210	609,316	321,691	61,628,385
Reportable segment liabilities	47,027,337	4,571,691	4,797	290,495	51,894,320

Masraf Al Rayan (Q.S.C.) QAR '000s

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:

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
2013					
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	-	-	44,816,818	44,816,818	44,816,818
Risk management instruments	6,443	-	-	6,443	6,443
	6,443	**-**	**55,096,287**	**55,102,730**	**55,102,730**

	Fair value through income statement	*Fair value through equity*	*Amortised cost*	*Total carrying amount*	*Fair value*
2012					
Cash and balances with QCB	-	-	2,267,508	2,267,508	2,267,508
Due from banks	-	-	2,627,154	2,627,154	2,627,154
Financing assets	-	-	41,719,216	41,719,216	41,719,216
Investment securities:					
- Measured at fair value	324,865	24,824	-	349,689	349,689
- Measured at amortised cost	-	-	12,661,633	12,661,633	12,640,339
Other assets	-	-	326,480	326,480	326,480
Risk management instruments	13,256	-	-	13,256	13,256
	338,121	24,824	59,601,991	59,964,936	59,943,642
Due to banks	-	-	6,383,877	6,383,877	6,383,877
Customer current accounts	-	-	2,502,739	2,502,739	2,502,739
Equity of investment account holders	-	-	42,506,876	42,506,876	42,506,876
Risk management instruments	9,391	-	-	9,391	9,391
	9,391	-	51,393,492	51,402,883	51,402,883

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8 CASH AND BALANCES WITH QATAR CENTRAL BANK

	2013	*2012*
Cash on hand	**282,917**	204,803
Cash reserve with QCB*	**2,273,318**	1,976,115
Current account with QCB	**954,279**	86,590
	3,510,514	2,267,508

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

9 DUE FROM BANKS

	2013	*2012*
Current accounts	**314,362**	1,480,588
Wakala placements with banks	**1,217,575**	33,063
Commodity murabaha receivable	**2,802,730**	1,113,503
	4,334,667	2,627,154

10 FINANCING ASSETS

(a) By type

	2013	*2012*
Receivables and balances from financing activities:		
Murabaha	**38,375,758**	38,581,243
Ijarah	**3,705,824**	3,424,472
Istisna'a	**983,684**	784,106
Musharaka	**520,050**	122,112
Others	**127,112**	110,256
Total receivables and balances from financing activities	**43,712,428**	43,022,189
Deferred profit	**(2,235,105)**	(1,253,251)
Allowance for impairment and profit in suspense (note b)	**(37,125)**	(49,722)
Net receivables and balances from financing activities	**41,440,198**	41,719,216

The total non-performing financing assets at 31 December 2013 amounted to QAR 42,390 thousand representing 0.10% of the gross financing assets (2012: QAR 39,911 thousand, representing 0.09% of the gross financing assets).

Specific impairment of financing assets includes QAR 3,209 thousand of profit in suspense (2012: QAR 4,369 thousand).

Masraf Al Rayan (Q.S.C.) QAR '000s

10 FINANCING ASSETS (continued)

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

	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	**33,916**	**3,209**	**37,125**

	Specific and collective impairment	*Profit in suspense*	*Total 2012*
Balance as at 1 January	79,832	7,394	87,226
Charge for the year	8,872	(3,025)	5,847
Recoveries / reversals during the year	(43,329)	-	(43,329)
Write off during the year	(22)	-	(22)
Balance at 31 December	45,353	4,369	49,722

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

	Corporate	*SME*	*Retail*	*Total 2013*
Balance as at 1 January	34,878	12,876	1,968	49,722
Charge for the year	24,566	4,915	276	29,757
Recoveries / reversals during the year	(42,158)	(7)	(84)	(42,249)
Write off during the year	-	-	(105)	(105)
Balance at 31 December	**17,286**	**17,784**	**2,055**	**37,125**

	Corporate	*SME*	*Retail*	*Total 2012*
Balance as at 1 January	74,586	11,808	832	87,226
Charge for the year	2,356	2,051	1,440	5,847
Recoveries / reversals during the year	(42,064)	(983)	(282)	(43,329)
Write off during the year	-	-	(22)	(22)
Balance at 31 December	34,878	12,876	1,968	49,722

Masraf Al Rayan (Q.S.C.) QAR '000s

10 FINANCING ASSETS (continued)

(d) By sector

	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

	Murabaha	*Ijarah*	*Istisna'a*	*Musharaka*	*Others*	*Total 2012*
Government and related agencies	23,548,464	-	-	-	-	23,548,464
Non-banking financial institutions	3,566,389	600	-	-	-	3,566,989
Industry	109,410	-	461,155	-	-	570,565
Commercial	1,771,008	42,791	-	-	-	1,813,799
Services	2,423,493	65,331	235,589	-	86,044	2,810,457
Contracting	178,832	19,668	-	-	-	198,500
Real estate	5,924,421	2,806,443	87,362	115,329	-	8,933,555
Personal	1,059,226	489,639	-	4,290	24,212	1,577,367
Other	-	-	-	2,493	-	2,493
	38,581,243	3,424,472	784,106	122,112	110,256	43,022,189
Less: Deferred profit						(1,253,251)
Allowance for impairment on financing assets						(49,722)
						41,719,216

Masraf Al Rayan (Q.S.C.) QAR '000s

11 INVESTMENT SECURITIES

	2013			2012		
	Quoted	***Unquoted***	***Total***	*Quoted*	*Unquoted*	*Total*
Investments classified as fair value through income statement						
Investments classified as held for trading						
• Equity type investments	**181,032**	**-**	**181,032**	159,275	-	159,275
• Debt type investments						
- Fixed profit rate	**121,940**	**-**	**121,940**	158,838	-	158,838
- Floating profit rate	**-**	**-**	**-**	6,752	-	6,752
	302,972	**-**	**302,972**	324,865	-	324,865
Debt-type investments classified at amortised cost						
Fixed profit rate	**436,842**	**-**	**436,842**	50,967	-	50,967
Floating profit rate	**121,274**	**-**	**121,274**	332,509	-	332,509
Government of Qatar Sukuk	**910,580**	**13,146,122**	**14,056,702**	-	12,300,000	12,300,000
Less: Allowance for impairment	**(21,843)**	**-**	**(21,843)**	(21,843)	-	(21,843)
	1,446,853	**13,146,122**	**14,592,975**	361,633	12,300,000	12,661,633
Equity-type investments classified as fair value through equity	**116,002**	**4,678**	**120,680**	19,754	5,070	24,824
	1,865,827	**13,150,800**	**15,016,627**	706,252	12,305,070	13,011,322

The Group has taken impairment loss for equity-type investments classified as fair value through equity during the year totalling QAR 1,157 thousand (2012: nil).

Masraf Al Rayan (Q.S.C.) QAR '000s

11 INVESTMENT SECURITIES (continued)

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

	2013			2012		
	Positive fair value	*Negative fair value*	*Total*	*Positive fair value*	*Negative fair value*	*Total*
Balance at 1 January	**9,244**	**-**	**9,244**	8,795	-	8,795
Net change in fair value	**16,830**	**(1,157)**	**15,673**	449	-	449
Transferred to consolidated income statement	**-**	**1,157**	**1,157**	-	-	-
Share of other comprehensive income of associates	**814**	**-**	**814**	-	-	-
Balance at 31 December	**26,888**	**-**	**26,888**	9,244	-	9,244

12 INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS

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

	2013	*2012*
Balance at 1 January	**1,449,521**	1,431,286
Investments acquired during the year	**-**	11,359
Share of results	**7,943**	6,876
Share of other comprehensive income	**814**	-
Reclassification of investment to other assets	**(1,000)**	-
Balance at 31 December	**1,457,278**	1,449,521

Name of the Company	*Associate / Joint Arrangement*	*Country*	*Company's activities*	*Ownership %* 2013	*Ownership %* 2012
National Mass Housing ("NMH")	Associate	Oman	Real estate services	20.00	20.00
CI San Trading ("Ci San")	Associate	Qatar	Real estate	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	33.33	33.33
Seef Lusail Real Estate Development Company W.L.L. ("Seef")	Associate	Qatar	Investment and credit facilities management	50.00	50.00

Notes:

A) As at reporting date, Linc Facility Services is still in the pre-operating stage. Accordingly, the investment balance represents the acquisition cost.

B) All investments are not listed.

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12 INVESTMENT IN ASSOCIATES AND JOINT ARRANGEMENTS (continued)

The financial position, revenue and results of associates and joint arrangements based on audited financial statements are as follows:

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)

2012	NMH	Ci San	Kirnaf	Daman	Linc	Seef
Total assets	154,562	32,600	977,162	336,761	6,000	2,114,460
Total liabilities	3,544	-	321,369	128,807	-	25,168
Total revenue	3,795	-	41,636	22,814	-	45
Net profit / (loss)	(82)	-	24,811	4,669	-	(7,584)
Share of profit / (loss)	(17)	-	9,494	1,191	-	(3,792)

13 INVESTMENT PROPERTY

Investment property pertains to freehold land and is carried at cost. The fair value of the investment property as at 31 December 2013 amounted to QAR 101 million (2012: QAR 95 million).

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14 FIXED ASSETS

	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**

Masraf Al Rayan (Q.S.C.) QAR '000s

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

14 FIXED ASSETS (continued)

	Land and building	*Leasehold improvements*	*Furniture, fixtures and office equipment*	*Computer equipment*	*Work in progress*	*Total*
Cost:						
Balance at 1 January 2012	14,163	50,588	19,453	57,971	1,569	143,744
Additions	-	1,810	983	7,648	400	10,841
Balance at 31 December 2012	14,163	52,398	20,436	65,619	1,969	154,585
Accumulated depreciation:						
Balance at 1 January 2012	1,389	18,654	8,634	44,561	-	73,238
Depreciation for the year	358	5,130	2,871	10,770	-	19,129
Balance at 31 December 2012	1,747	23,784	11,505	55,331	-	92,367
Net book value:						
At 31 December 2012	12,416	28,614	8,931	10,288	1,969	62,218

Masraf Al Rayan (Q.S.C.) QAR '000s

15 OTHER ASSETS

	2013	*2012*
Accrued profit	**393,332**	329,606
Prepayments and other receivables	**229,143**	64,438
Advances to suppliers	**22,471**	9,278
	644,946	403,322
Less: Allowance for impairment losses	**(3,126)**	(3,126)
	641,820	400,196

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 13,112 thousand (2012: QAR 13,256 thousand).

16 DUE TO BANKS

	2013	*2012*
Current accounts	**573,840**	566,379
Commodity murabaha payable	**1,426,604**	851,898
Wakala payable	**4,764,623**	4,965,600
	6,765,067	6,383,877

Wakala payable includes various facilities with maturities up to 3 months and carries a profit rate of 0.22% to 1.25% (2012: maturities ranging from 1 month to 6 months and carries a profit rate of 0.20% to 1.50%).

17 CUSTOMER CURRENT ACCOUNTS

	2013	*2012*
By sector:		
Government	**629,791**	296,334
Non-banking financial institutions	**20,053**	14,176
Corporate	**1,464,581**	1,346,690
Individuals	**1,399,977**	845,539
	3,514,402	2,502,739

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18 OTHER LIABILITIES

	2013	*2012*
Unearned commission	**207,305**	204,410
Dividend payable	**186,802**	97,944
Other staff provisions	**65,321**	58,764
Social and sports fund	**42,557**	37,605
Accrued expenses	**37,634**	17,993
Provision for employees' end of service benefits (a)	**21,552**	16,912
Escrow accounts	**-**	1,149
Others	**185,735**	66,051
	746,906	500,828

Others include negative fair value of derivatives amounting to QAR 6,443 thousand (2012: QAR 9,391 thousand).

(a) Provision for employees' end of service benefits

	2013	*2012*
Balance at 1 January	**16,912**	12,582
Provisions made the year	**6,126**	5,202
Paid during the year	**(1,486)**	(872)
Balance at 31 December	**21,552**	16,912

19 EQUITY OF INVESTMENT ACCOUNT HOLDERS

(a) By type

	2013	*2012*
Saving accounts	**1,843,583**	1,519,970
Term accounts	**40,334,469**	38,691,069
Call accounts	**2,538,393**	2,158,704
Profit payable to equity of investment account holders	**99,305**	136,762
Share in the fair value reserve	**1,115**	371
	44,816,865	42,506,876

(b) By sector

	2013	*2012*
Government	**27,525,382**	24,244,995
Non-banking financial institutions	**131,812**	114,527
Retail	**4,942,875**	4,194,590
Corporate	**12,116,376**	13,815,631
Profit payable to equity of investment account holders	**99,305**	136,762
Share in the fair value reserve	**1,115**	371
	44,816,865	42,506,876

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19 EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

(b) By sector (continued)

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

	2013	*2012*
Return on equity of investment account holders in the profit before Masraf's Mudaraba income	**1,667,733**	1,544,570
Masraf's Mudaraba income	**(1,581,756)**	(1,464,599)
Return on investment account holders	**85,977**	79,971
Support provided by Masraf	**389,389**	481,986
Return on investment account holders after Masraf's support	**475,366**	561,957

Rates of profit allotment:	*2013* %	*2012* %
More than one year deposits	**1.84**	2.29
One year deposits	**1.55**	1.19
Six months deposits	**1.41**	0.89
Three months deposits	**1.30**	0.73
Call accounts	**0.57**	0.56
Saving accounts	**0.89**	0.49
Saving accounts-millionaire	**1.00**	1.00

20 OWNERS' EQUITY

(a) Share capital

	2013	*2012*
Authorised, issued and paid up		
750,000,000 shares at QAR 10 each	**7,500,000**	7,500,000

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20 OWNERS' EQUITY (continued)

(b) Legal reserve

	2013	*2012*
Balance at 1 January	**292,292**	141,871
Transfer from retained earnings (i)	**340,454**	150,421
Balance at 31 December	**632,746**	292,292

(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 2013, the Group transferred to legal reserve 20% of the net profit for the year (2012: 10% of the net profit).

(c) Fair value reserve

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

	2013	*2012*
Balance at the 1 January	**9,244**	8,795
Net unrealised gains	**17,945**	820
Share of other comprehensive income of associates	**814**	-
	28,003	9,615
Share of equity of investment account holders in the fair value reserve	**(1,115)**	(371)
Balance at 31 December (shareholders' share)	**26,888**	9,244

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

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20 OWNERS' EQUITY (continued)

(d) 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 Masraf and its branches 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 2013, an amount of QAR 88 million has been transferred to the risk reserve (2012: QAR 337 million).

(e) Proposed dividend

The Board of Directors in its meeting held on 27 January 2014 proposed a cash dividend of 15% (2012: 10%) of the share capital amounting to QAR 1,125 million (2012: QAR 750 million).

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

(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.

	2013	*2012*
Balance at 1 January	**18,866**	11,990
Share of results of associates	**7,943**	6,876
Balance at 31 December	**26,809**	18,866

21 NON-CONTROLLING INTERESTS

This represents the Group's non-controlling interest in Al Rayan GCC Fund (F) and Al Rayan GCC Fund (Q) of 43.6% and 73.3%, respectively (31 December 2012: 36.6% and 73.5%, respectively).

At 31 December 2012, the Group's non-controlling interest included 49% of the share capital of SapuraCrest Qatar L.L.C. SapuraCrest Qatar L.L.C. is 51% owned by Al Rayan Investment LLC, a wholly-owned subsidiary of Masraf. SapuraCrest Qatar L.L.C. was liquidated during the current year.

22 NET INCOME FROM FINANCING ACTIVITIES

	2013	*2012*
Income from Murabaha	**1,488,861**	1,409,794
Income from Istisna'a	**32,963**	18,368
Income from Ijarah	**201,154**	164,546
Income from Musharaka	**20,026**	9,037
	1,743,004	1,601,745

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23 NET INCOME FROM INVESTING ACTIVITIES

	2013	*2012*
Income from investment in debt-type instruments	**646,793**	643,811
Fair value gain on investment securities carried as fair value through income statement	**22,597**	15,616
Income from inter-bank placements with Islamic banks	**9,963**	15,478
Dividend income	**8,387**	7,985
Net gain on sale of debt-type investments	**1,897**	14,938
Net gain on sale of equity-type investments	**19,831**	28
	709,468	697,856

24 NET FEE AND COMMISSION INCOME

	2013	*2012*
Commission on financing activities	**83,619**	70,927
Commission on trade finance activities	**47,023**	32,726
Commission on banking services	**17,621**	10,523
	148,263	114,176
Fee and commission expenses	**(1,244)**	(1,618)
	147,019	112,558

25 FOREIGN EXCHANGE GAIN

	2013	*2012*
Dealing in foreign currencies	**60,744**	47,316
Revaluation of assets and liabilities	**(336)**	(533)
	60,408	46,783

26 OTHER INCOME

	2013	*2012*
Rental income	**2,808**	3,545
Miscellaneous	**11,057**	32,687
	13,865	36,232

27 STAFF COSTS

	2013	*2012*
Salaries, allowances and other staff costs	**218,867**	201,155
Staff indemnity costs	**6,126**	5,202
Staff pension fund costs	**3,679**	3,842
	228,672	210,199

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28 OTHER EXPENSES

	2013	*2012*
Rent and maintenance	**48,333**	39,317
Advertising expenses	**39,497**	28,018
Board of Directors' remuneration (Note 34/c)	**15,444**	16,997
Legal, professional and consulting fees	**14,846**	14,783
Information technology	**8,648**	7,206
Shari'a Board compensation	**1,620**	1,404
Other operating expenses	**26,568**	11,296
	154,956	119,021

29 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:

	2013	*2012*
Payable not later than 1 year	**23,795**	22,157
Payable later than 1 year and not later than 5 years	**34,397**	35,179
	58,192	57,336

(b) Contingent liabilities

	2013	*2012*
Unutilised credit facilities	**15,290,101**	7,403,642
Guarantees	**8,040,566**	5,510,161
Letters of credit	**11,430,735**	2,711,280
	34,761,402	15,625,083

(c) Other undertakings and commitments

	2013	*2012*
Profit rate swap	**-**	1,529,010
Unilateral promise to buy/sell currencies	**18,516,075**	16,091,124
	18,516,075	17,620,134

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30 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS

Geographical sector

	Qatar	*Other GCC*	*Europe*	*North America*	*Others*	*Total*
2013						
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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30 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Geographical sector (continued)

	Qatar	*Other GCC*	*Europe*	*North America*	*Others*	*Total*
2012						
Cash and balances with QCB	2,267,508	-	-	-	-	2,267,508
Due from banks	28,280	1,325,962	1,181,306	89,387	2,219	2,627,154
Financing assets	40,928,223	-	657,734	-	133,259	41,719,216
Investment securities	12,543,001	459,356	-	-	8,965	13,011,322
Investment in associates and joint arrangements	1,104,537	344,984	-	-	-	1,449,521
Investment property	91,250	-	-	-	-	91,250
Fixed assets	62,218	-	-	-	-	62,218
Other assets	400,196	-	-	-	-	400,196
TOTAL ASSETS	57,425,213	2,130,302	1,839,040	89,387	144,443	61,628,385
Due to banks	3,568,459	2,131,891	117,748	-	565,779	6,383,877
Customer current accounts	2,491,409	5,782	1,027	9	4,512	2,502,739
Other liabilities	500,828	-	-	-	-	500,828
Total liabilities	6,560,696	2,137,673	118,775	9	570,291	9,387,444
Equity of investment account holders	39,217,117	3,203,787	8,487	-	77,485	42,506,876
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	45,777,813	5,341,460	127,262	9	647,776	51,894,320

Masraf Al Rayan (Q.S.C.) QAR '000s

30 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector

	Real estate	*Construction, engineering and manufacturing*	*Oil and gas*	*Financial services*	*Individuals*	*Others*	*Total*
2013							
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**

Masraf Al Rayan (Q.S.C.) QAR '000s

30 CONCENTRATION OF ASSETS, LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS (continued)

Industrial sector (continued)

	Real estate	*Construction, engineering and manufacturing*	*Oil and gas*	*Financial services*	*Individuals*	*Others*	*Total*
2012							
Cash and balances with QCB	-	-	-	2,267,508	-	-	2,267,508
Due from banks	-	-	-	2,627,154	-	-	2,627,154
Financing assets	8,637,113	276,862	461,155	3,357,925	1,447,936	27,538,225	41,719,216
Investment securities	235,390	34,579	21,213	143,411	-	12,576,729	13,011,322
Investment in associates and joint arrangements	1,074,849	-	-	356,372	-	18,300	1,449,521
Investment property	91,250	-	-	-	-	-	91,250
Fixed assets	-	-	-	-	-	62,218	62,218
Other assets	-	-	-	-	-	400,196	400,196
TOTAL ASSETS	10,038,602	311,441	482,368	8,752,370	1,447,936	40,595,668	61,628,385
Due to banks	-	-	-	6,383,877	-	-	6,383,877
Customer current accounts	24,574	94,329	5,177	14,176	845,539	1,518,944	2,502,739
Other liabilities	-	-	-	-	-	500,828	500,828
Total liabilities	24,574	94,329	5,177	6,398,053	845,539	2,019,772	9,387,444
Equity of investment account holders	104,265	6,723	728	114,527	4,194,590	38,086,043	42,506,876
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	128,839	101,052	5,905	6,512,580	5,040,129	40,105,815	51,894,320

Masraf Al Rayan (Q.S.C.) QAR '000s

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 December 2013

31 MATURITY PROFILE

	Up to 3 months	*3-6 months*	*6 months-1 year*	*1-5 years*	*Over 5 years*	*Total*
2013						
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**

Masraf Al Rayan (Q.S.C.) QAR '000s

31 MATURITY PROFILE (continued)

	Up to 3 months	*3-6 months*	*6 months-1 year*	*1-5 years*	*Over 5 years*	*Total*
2012						
Cash and balances with QCB	291,393	-	-	-	1,976,115	2,267,508
Due from banks	2,627,154	-	-	-	-	2,627,154
Financing assets	31,330,832	2,143,024	720,414	6,209,119	1,315,827	41,719,216
Investment securities	1,209,275	155,425	53,903	10,207,079	1,385,640	13,011,322
Investment in associates and joint arrangements	-	-	-	-	1,449,521	1,449,521
Investment property	-	-	-	-	91,250	91,250
Fixed assets	-	-	-	-	62,218	62,218
Other assets	393,255	6,941	-	-	-	400,196
TOTAL ASSETS	35,851,909	2,305,390	774,317	16,416,198	6,280,571	61,628,385
Due to banks	5,656,402	532,210	195,265	-	-	6,383,877
Customer current accounts	2,502,739	-	-	-	-	2,502,739
Other liabilities	500,828	-	-	-	-	500,828
Total liabilities	8,659,969	532,210	195,265	-	-	9,387,444
Equity of investment account holders	39,719,655	1,324,185	1,043,591	419,445	-	42,506,876
TOTAL LIABILITIES AND EQUITY OF INVESTMENT ACCOUNT HOLDERS	48,379,624	1,856,395	1,238,856	419,445	-	51,894,320
MATURITY GAP	(12,527,715)	448,995	(464,539)	15,996,753	6,280,571	9,734,065

Masraf Al Rayan (Q.S.C.) QAR '000s

32 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.

	2013	*2012*
Profit for the year attributable to owners of the Bank	**1,702,270**	1,504,213
Weighted average number of shares outstanding during the year (thousand) (a)	**750,000**	750,000
Basic earnings per share (QAR)	**2.270**	2.006

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

	2013 Nos'000	*2012 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.

33 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:

	2013	*2012*
Cash on hand and balances with QCB excluding cash reserve	**1,237,196**	291,393
Due from banks	**4,334,667**	2,627,154
	5,571,863	2,918,547

Masraf Al Rayan (Q.S.C.) QAR '000s

34 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

	2013	*2012*
Assets		
Murabaha - customer	-	4,316,378
Liabilities		
Current account - customer	**184**	215
Equity of investment account holders - customer	**3,541,599**	5,512,704
	3,541,783	5,512,919

(b) Consolidated income statement items

	2013	*2012*
Income from financing activities - customer	-	231,184
Gain (loss) from foreign exchange operations - customer	**21**	(11,491)
	21	219,693
Return on equity of investment account holders - customer	**13,541**	24,961

(c) Transactions with key management personnel

Key management personnel and their immediate relatives have transacted with the Group during the year as follows:

	2013	*2012*
Financing	**10,011**	283

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

	2013	*2012*
Remuneration to Board of Directors including meeting allowances (Note 28)	**15,444**	16,997
Salaries and other benefits	**8,649**	9,900

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35 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.

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

	Positive fair value	*Negative fair value*	*Notional amount*	*Within three months*	*3 - 12 months*	*1 - 5 years*
2012						
Risk management instruments						
Profit rate swaps	3,423	3,423	1,529,010	-	1,529,010	-
Unilateral promise to buy/sell currencies	9,833	5,968	16,091,124	12,540,714	3,550,410	-
	13,256	9,391	17,620,134	12,540,714	5,079,420	-

36 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.

37 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.

38 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 42.6 million for an amount equivalent to 2.5% of the net profit relating to the year ended 31 December 2013 (2012: QAR 37.6 million) for the support of sports, cultural and charitable activities.

39 SUBSEQUENT EVENT

The Bank, through its 100% owned subsidiary, Al Rayan (UK), acquired equity ownership stake of more than 95% in Islamic Bank of Britain PLC ("IBB"), a Shari'a compliant retail bank in the United Kingdom.

40 COMPARATIVE FIGURES

The comparative figures presented for 2012 have been reclassified where necessary to preserve consistency with the 2013 figures. However, such reclassifications did not have any effect on the consolidated net profit or the total consolidated equity for the comparative year.

Masraf Al Rayan (Q.S.C.) QAR '000s

SUPPLEMENTARY FINANCIAL INFORMATION
At 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK

(A) STATEMENT OF FINANCIAL POSITION OF THE PARENT BANK

	2013	*2012*
ASSETS		
Cash and balances with QCB	**3,462,880**	2,255,502
Due from banks	**4,334,667**	2,627,154
Financing assets	**41,440,198**	41,719,216
Investment securities	**14,590,847**	12,658,946
Investment in subsidiaries, associates and joint arrangements	**1,902,490**	1,903,490
Investment property	**91,250**	91,250
Fixed assets	**54,008**	60,236
Other assets	**637,544**	393,998
TOTAL ASSETS	**66,513,884**	61,709,792
LIABILITIES		
Due to banks	**6,996,087**	6,622,168
Customer current accounts	**3,521,413**	2,511,750
Other liabilities	**739,378**	495,387
TOTAL LIABILITIES	**11,256,878**	9,629,305
EQUITY OF INVESTMENT ACCOUNT HOLDERS	**44,824,544**	42,532,063
OWNERS' EQUITY		
Share capital	**7,500,000**	7,500,000
Legal reserve	**632,746**	292,292
Risk reserve	**875,414**	787,141
Fair value reserves	**7,490**	7,491
Retained earnings	**1,416,812**	961,500
TOTAL OWNERS' EQUITY	**10,432,462**	9,548,424
TOTAL LIABILITIES, EQUITY OF INVESTMENT ACCOUNT HOLDERS AND OWNERS' EQUITY	**66,513,884**	61,709,792

Masraf Al Rayan (Q.S.C.) QAR '000s

SUPPLEMENTARY FINANCIAL INFORMATION
For the year ended 31 December

FINANCIAL STATEMENTS OF THE PARENT BANK (continued)

(B) INCOME STATEMENT OF THE PARENT BANK

	2013	*2012*
Net income from financing activities	**1,743,004**	1,601,745
Net income from investing activities	**646,424**	655,630
Total net income from financing and investing activities	**2,389,428**	2,257,375
Fee and commission income	**135,235**	107,193
Fee and commission expense	**(1,244)**	(1,618)
Net fee and commission income	**133,991**	105,575
Foreign exchange gain	**60,441**	46,810
Other income	**13,399**	39,892
TOTAL INCOME	**2,597,259**	2,449,652
Staff costs	**(214,522)**	(198,028)
Depreciation	**(15,317)**	(18,118)
Other expenses	**(145,868)**	(111,520)
Finance expense	**(80,924)**	(111,731)
TOTAL EXPENSES	**(456,631)**	(439,397)
Net recoveries / reversals on financing assets	**11,332**	34,457
Net impairment losses on investment securities	**-**	-
Impairment losses on other assets	**-**	-
PROFIT FOR THE YEAR BEFORE RETURN TO INVESTMENT ACCOUNT HOLDERS	**2,151,960**	2,044,712
Less: Return to investment account holders	**(475,366)**	(561,957)
NET PROFIT FOR THE YEAR	**1,676,594**	1,482,755