Qatar Development Bank Q.S.C.C.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 2014

KPMG
2nd Floor
Area 25, C Ring Road
PO Box 4473, Doha
State of Qatar

Telephone +974 4457 6444
Fax +974 4442 5626
Website www.kpmg.com.qa

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF QATAR DEVELOPMENT BANK Q.S.C.C

Report on the financial statements

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

The Directors' responsibility for the Financial Statements

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

Auditors' responsibility

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

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

Opinion

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

Report on other legal and regulatory requirements

We have obtained all the information and explanations which we consider necessary for the purpose of our audit. The Bank has maintained proper accounting records and financial statements are in agreement therewith. 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 the Articles of Association and amendments thereto having occurred during the year which might have had a material adverse effect on the business of the Bank or its financial position at 31 December 2014.

Gopal Balasubramaniam
Partner
Auditor's Registry No. 251
Date: 12 January 2015
Doha

QATAR DEVELOPMENT BANK Q.S.C.C.

STATEMENT OF FINANCIAL POSITION QAR '000s

As at 31 December	Note	2014	2013
ASSETS			
Cash and balances with Qatar Central Bank		165,204	129,478
Due from banks	7	876,366	885,231
Loans and advances to customers	8	2,993,141	2,429,907
Investment securities	9	2,088,633	1,839,075
Investment in associates and joint ventures	11	30,401	40,911
Investment properties	12	135,328	139,190
Property and equipment	13	66,321	68,226
Other assets	14	356,595	126,149
TOTAL ASSETS		**6,711,989**	5,658,167
LIABILITIES			
Due to banks		1,001,438	1,402,737
Other liabilities	15	204,779	158,216
TOTAL LIABILITIES		**1,206,217**	1,560,953
EQUITY			
Share capital	16	4,500,000	3,300,000
Legal reserve	16	120,095	105,942
General reserve	16	1,010	1,010
Risk reserve	16	96,254	78,570
Fair value reserve	16	414,731	276,940
Retained earnings		373,682	334,752
TOTAL EQUITY		**5,505,772**	4,097,214
TOTAL LIABILITIES AND EQUITY		**6,711,989**	5,658,167

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

12 JAN 2015

Sheikh Abdullah Bin Saud Al-Thani	Abdulaziz Bin Nasser Al-Khalifa
Chairman	**Chief Executive Officer**

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

QAR '000s

For the year ended 31 December	Note	2014	2013
Interest income	18	152,857	109,401
Interest expense		(7,113)	(2,635)
Net interest income		**145,744**	106,766
Profit from Islamic financing		22,328	24,165
Net interest income and profit from Islamic financing		**168,072**	130,931
Fees and commission income	19	151,528	143,633
Income from investment securities	20	30,660	27,297
Rental income and other operating income		4,150	3,969
Foreign exchange gain		3,172	1,858
Net operating income		**357,582**	307,688
Staff and other costs	21	(198,541)	(162,407)
Depreciation	12 &13	(19,646)	(14,864)
Net impairment loss on investment securities	9	-	(8,130)
Net impairment loss on loans and advances to customers	8	(57,923)	(58,963)
		(276,110)	(244,364)
Share of losses / impairment on associates and joint ventures	11	(10,705)	(617)
Profit for the year		**70,767**	62,707
Other comprehensive income for the year			
Items that are or may be reclassified to profit or loss			
Fair value reserve (available-for-sale financial assets):			
Net change in fair value		139,329	29,239
Net amount transferred to profit or loss		(1,538)	(8,130)
Other comprehensive income for the year		**137,791**	21,109
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**208,558**	83,816

The attached notes 1 to 24 form part of these financial statements.

QATAR DEVELOPMENT BANK Q.S.C.C.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

QAR '000s

	Share Capital	Legal reserve	General reserve	Risk reserve	Fair value reserve	Retained earnings	Total
Balance at 1 January 2014	3,300,000	105,942	1,010	78,570	276,940	334,752	4,097,214
Capital contribution*	1,200,000	-	-	-	-	-	1,200,000
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	70,767	70,767
Other comprehensive income	-	-	-	-	137,791	-	137,791
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**137,791**	**70,767**	**208,558**
Transfer to legal reserve	-	14,153	-	-	-	(14,153)	-
Transfer to risk reserve	-	-	-	17,684	-	(17,684)	-
Balance at 31 December 2014	**4,500,000**	**120,095**	**1,010**	**96,254**	**414,731**	**373,682**	**5,505,772**
Balance at 1 January 2013	2,900,000	93,401	1,010	43,915	255,831	319,241	3,613,398
Capital contribution*	400,000	-	-	-	-	-	400,000
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	62,707	62,707
Other comprehensive income	-	-	-	-	21,109	-	21,109
Total comprehensive income for the year	-	-	-	-	21,109	62,707	83,816
Transfer to legal reserve	-	12,541	-	-	-	(12,541)	-
Transfer to risk reserve	-	-	-	34,655	-	(34,655)	-
Balance at 31 December 2013	3,300,000	105,942	1,010	78,570	276,940	334,752	4,097,214

**During the year, the Bank has received QAR 1,200 million (2013: QAR 400 million) from the Government as a contribution towards the authorised capital.*

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASHFLOWS QAR '000s

For the year ended 31 December	Note	2014	2013
Cash flows from operating activities			
Profit for the year		70,767	62,707
Adjustments for:			
Dividend income	20	(24,415)	(27,297)
Interest income		(175,185)	(133,566)
Interest expense		7,113	2,635
Net Impairment loss on loans and advances to customers	8	57,923	58,963
Net impairment loss on investment securities	9	-	8,130
Depreciation	12 & 13	19,646	14,864
Net gain on sale of available-for-sale securities		(6,245)	-
Share of losses / impairment on associates and joint ventures	11	10,705	617
		(39,691)	(12,947)
Change in loans and advances to customers		(621,157)	(1,166,949)
Change in other assets		(230,446)	(54,952)
Change in due to banks		(401,299)	1,400,000
Change in other liabilities		46,563	34,402
		(1,246,030)	199,554
Dividend received		24,415	27,297
Interest received		175,185	133,566
Interest paid		(7,113)	(2,635)
Net cash (used in) / from operating activities		**(1,053,543)**	357,782
Cash flows from investing activities			
Acquisition of investment securities, net of disposals		(605,522)	(303,110)
Acquisition of associates and joint ventures	11	(195)	(1,556)
Acquisition of property and equipment, net of disposals	13	(13,879)	(45,540)
Net cash (used in) investing activities		**(619,596)**	(350,206)
Cash flows from financing activities			
Proceeds from capital contribution	16	1,200,000	400,000
Net cash from financing activities		**1,200,000**	400,000
Net (decrease) / increase in cash and cash equivalents		**(473,139)**	407,576
Cash and cash equivalents at 1 January		964,709	557,133
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**491,570**	964,709

The attached notes 1 to 24 form part of these financial statements.

1 REPORTING ENTITY

Qatar Development Bank (Q.S.C.C.) ("the Bank") was established in the State of Qatar as a closed shareholding company under Commercial Registration No.19299.

The main objective of the Bank is to participate in the economic development process of the State of Qatar, by providing the necessary financing for small and medium size industrial, educational, health, agricultural and tourism projects. The Bank also administers the disbursement of the Government land loan scheme as part of its fiduciary activities.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared under the historical cost basis, except for available-for- sale financial investments which have been measured at fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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 recognized in the financial statements are described in note 6.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in financial statements.

(a) Basis of consolidation

The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When the Bank has decision making rights, it assesses whether it controls an entity and determines whether it is a principal or an agent. The Bank also determines whether another entity with decision-making rights is acting as an agent for the Bank. An agent is a party primarily engaged to act on behalf and for the benefit of another party (the principal) and therefore does not control the entity when it exercises its decision-making authority. A decision maker considers the overall relationship between itself and other parties involved with the entity, in particular all of the factors below, in determining whether it is an agent.

- The scope of its decision making authority over the entity;
- The rights held by other parties (including kick-out-right);
- The remuneration to which it is entitled;
- The decision maker's exposure to variability of returns from other interests that it holds in the entity.

The Bank makes significant judgments and assumptions when determining if it has control of another entity. The Bank may control an entity even though it holds less than half of the voting rights of that entity, for example if the Bank has control over an entity on a de facto basis because the remaining voting rights are widely dispersed and/or there is no indication that other shareholders exercise their votes collectively. Conversely, the Bank may not control an entity even though it holds more than half of the voting rights of that entity, for example where the Bank holds more than half of the voting power of an entity but does not control it, as it has no right to variable returns from the entity and is not able to use its power over the entity to affect those returns.

(b) Investment in associates and joint arrangements (equity-accounted investees)

An associate is an entity, including an unincorporated entity such as a partnership, over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed to exist when the Bank holds between 20 percent and 50 percent of the voting power of another entity.

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 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investment in associates and joint arrangements (equity-accounted investees) - continued

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.

(c) Interest in other entities

Interests on other entities are contractual and non contractual involvement that exposes the Bank to variability of returns from the performance of the other entity. As a result of IFRS 12, the Bank has expanded disclosures about its interests in other entities. The disclosure requirements related to its involvement in other entities are not included in the comparative information.

(i) Structured entities

As part of normal business, the Bank engages in various transactions with entities which are considered to be structured entities. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Transactions with structured entities are generally executed to facilitate securitization activities or to meet specific client needs, such as providing liquidity or investment opportunities, and, as part of these activities, the Company may hold interests in the structured entities. If the Bank controls the structured entity then that entity is consolidated. The Bank discloses information about significant judgements and assumptions made in determining whether the Bank has (joint) control of, or significant influence over, another entity including structured entities. The Bank also provides disclosures with regards to unconsolidated structured entities such as when it sponsors or has an interest in such an entity.

(ii) Unconsolidated structured entities

The Bank has interests in a structured entity which is not consolidated. An interest is either contractual or non-contractual involvement that exposes the Bank to variability in returns from the performance of another entity. An interest on another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement and guarantees.

The Bank does not have an interest in another entity solely because of a typical customer and supplier relationship. An example of a typical customer and supplier relationship are fees other than management and performance fees that are passively earned and are typically one-off in nature.

The Bank considers itself the sponsor of a structured entity when either its name appears in the name of the structured entity or in products issued by it or there is a general expectation from the market that the Bank is associated with the structured entity or the Bank was involved in the design or set up of the structured entity and has a form of involvement with the structured entity.

(d) Foreign currency

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency (continued)

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 recognized in profit or loss.

(e) Islamic financing activities

The Bank provides Islamic financing through various Islamic modes of financing. These activities are conducted in accordance with the Islamic Shari'a, as determined by the Shari'a Committee.

(f) Financial assets and financial liabilities

(i) Recognition and initial measurement

The Bank initially recognizes loans and advances to customers, due from / to banks and other liabilities on the date at which they are originated. All other financial assets and liabilities are initially recognized 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 profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

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

- loans and receivables
- available-for-sale

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

(iii) Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets have expired or when the Bank has transferred its contractual rights to receive cash flows from the assets.

Financial liabilities are derecognized when they are extinguished, which is when the obligation is discharged or cancelled or expired.

(iv) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS.

(v) Measurement principles

(i) Amortized cost measurement

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets and financial liabilities (continued)

(v) Measurement principles (continued)

(ii) Fair value measurement

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

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

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

(vi) Identification and measurement of impairment

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

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

The Bank considers evidence of impairment loss for loans and advances to customers at specific asset level. All individually significant loans and advances to customers are assessed for specific impairment.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted balances held with Qatar central bank and other local banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

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

(h) Loans and advances to customers

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

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

(i) Investment securities

Subsequent to initial recognition investment securities are accounted for as 'available-for-sale'.

Available-for-sale financial assets

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

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

Other fair value changes are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

(j) Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use in the production or supply of goods and services or for administrative purposes.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Investment properties are treated as long term investments and carried at cost less accumulated depreciation. Buildings are depreciated over a period of 25 years on a straight line basis. Land is not depreciated. The cost of property includes all directly attributable costs.

When the use of a investment property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Property and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

The estimated useful lives for property and equipment are as follows:

Buildings	25 years
Furniture and fixtures	4 years
Equipment	3-4 years

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

(l) Impairment of non-financial assets

The carrying amounts of the Bank'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.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Impairment of non-financial assets (continued)

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions

A provision is recognized 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.

(n) Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, credit guarantees, consisting of letters of credit and guarantees (Al-Dahmeen and Al-Tasdeer). Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

(o) Employee benefits

(i) Defined contribution plans

Under Law No. 24 of 2002 on Retirement and Pension, the Bank is required to make contributions to a Government fund scheme for Qatari employees calculated as a percentage of the Qatari employees' salaries. The Bank's obligations are limited to these contributions, which are expensed when due. The cost is included as part of staff costs.

(ii) Defined benefit plans

The Bank provides for end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. The provision of employees' end of service benefits is included in the other provisions within other liabilities.

(p) Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

(q) Transaction between shareholders

Any gain / loss arising on transactions with shareholders are recognized in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Interest income and expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate.

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense presented in the statement of comprehensive income include interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

(s) Fees and commission income and expense

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

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

Housing loans management fee is being recognised at 1 % of the amount of outstanding balance of the loans per annum.

(t) Income from investment securities

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

(u) Rental Income

Rental income arising from investment property is accounted for on a straight line basis over the lease term.

(v) Dividend income

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

(w) Islamic financing

Revenues on Islamic financing transactions are recognized on a time apportioned basis over the period of the contract. Income on non performing financing accounts is suspended until realization in accordance with Qatar Central Bank regulations.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations

New standards, amendments and interpretations effective from 1 January 2014

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

- **Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"**

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

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

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

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

  Offsetting Financial Assets and Financial Liabilities (amendments to IAS 32) clarify the offsetting criteria IAS 32 by explaining when an entity currently has a legally enforceable right to set off and when gross settlement is equivalent to net settlement.

  The change did not have a material impact on the Bank's financial statements.

- **Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures**

  This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

  The change did not have a material impact on the Bank's financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) New standards and interpretations (continued)

New standards, amendments and interpretations issued but not yet effective

The new standards, amendments to standards and interpretations which have been issued but are not yet effective for the year ended 31 December 2014 and have not been early applied in preparing these financial statements are as follows:

- **IFRS 9, Financial Instruments**

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

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

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

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

  The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. The amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

- **Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

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

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

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

4 FINANCIAL RISK MANAGEMENT

4.1 Introduction and overview

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

Risk management framework

Risk is inherent in the Bank's activities and being a development bank with a specific mandate to lend to developmental oriented sectors at relaxed terms and covenants which includes a concessional interest rate not proportional to the inherent risk of the lending, non-availability of secondary collaterals and a relatively higher risk appetite and tolerances, the management of all inherent risk is critical to the sustainability of our business both at a tactical as well as strategic level. The Board and management of the Bank fully recognize the business critical importance of risk management and has put in place a robust 'fit for purpose' risk management framework to proactively identify, assess and measure, monitor and manage risks within the predefined appetite and tolerances. This process of risk management is critical to the fulfillment of Bank's strategic business objectives and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The Bank is exposed to credit risk, operating risk and market risk. The risk management framework in the Bank is now integrated with its strategic planning process and therefore, also defines standards for managing strategic and business risks such as changes in the environment, technology and industry.

Risk management structure

The Board of Directors is ultimately responsible for defining and monitoring risk control and management processes. Executive Management Committees like ALCO (asset and liabilities committee) and Operational risk and Business continuity planning committee execute the Board approved risk strategies and report on significant risk exposures.

Internal Audit

Risk management processes throughout the Bank are audited annually by the internal audit function, which examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board through its Audit Committee.

Risk measurement and reporting systems

Risk is measured and assessed by a variety of tools and methodologies which include quantitative models and qualitative risk scorecards. Whereas risk is measured and assessed both on an inherent and residual basis, monitoring and controlling risks is primarily performed based on risk limits established by the Board. These limits reflect the business strategy of the Bank and the market environment as well as the level of risk that the Board is willing to accept.

The risk MIS (management information system) collects, processes and analyzes pertinent business and risk information at transaction and portfolio level and reports to the head of each business division, Risk Committees and ultimately to Board of Directors.

4.2 Credit risk

Credit risk is the risk that a customer or counterparty of the Bank will be unable or unwilling to meet a commitment entered into with the Bank. It arises from lending (both direct and indirect), trade finance, treasury and other activities undertaken by the Bank.

As at and for the year ended 31 December 2014 QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

4.2.1 Credit risk measurement

The Bank has in place proper governance structure, risk framework, standards, policies and procedures for the control and monitoring of all such risks.

4.2.2 Risk limit control and mitigation policies

The Bank seeks to manage its credit risks exposure through effective customer selection and due diligence processes, well-structured approval matrix and a proactive credit monitoring and collection practices. To reduce concentration risks Bank diversifies its lending, investing and financing activities across sectors, industries, products and borrowers. In terms of collateral coverage, typically only the primary collateral (assets being financed) is obtained in line with its mandate of supporting the private enterprise, however, in exceptional cases (decided by Internal Credit Committee and Board for very high risk projects) mortgage over Real Estate or pledge over equity instruments is obtained.

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

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including off balance sheet items. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Gross maximum exposure	
	Total 2014	Total 2013
Due from banks	876,366	885,231
Net loans and advances to customers	2,993,141	2,429,907
Investment securities – debt	1,377,384	1,192,205
Other assets	43,642	60,505
Total on balance sheet	**5,290,533**	4,567,848
Guarantees (AL Dahmeen & AL Tasdeer)	344,418	350,476
Contingent liabilities	345,858	175,863
Other commitments	1,594,886	1,485,039
Total off balance sheet	**2,285,162**	2,011,378
Total exposure	**7,575,695**	6,579,226

i) Risk concentration for maximum exposure to credit risk by industry sector

	Gross maximum exposure 2014	**Net maximum exposure 2014**	Gross maximum exposure 2013	Net maximum exposure 2013
Government	890,854	890,854	744,772	744,772
Financial institutions	1,478,490	1,478,490	1,121,543	1,121,543
Industry/manufacturing	3,567,823	3,567,823	3,794,415	3,794,415
Others	1,638,528	1,638,528	918,496	918,496
	7,575,695	**7,575,695**	6,579,226	6,579,226

As at and for the year ended 31 December 2014 QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

ii) Credit quality by class of financial assets

The Bank's internal rating scale and mapping to the table below are as follows:

Bank's rating	Description of the grade	Mapping
Grade 1	Low risk – excellent	High grade
Grade 2	Standard / satisfactory risk	Standard grade / watch list
Grade 3	Sub-standard	Impaired
Grade 4	Doubtful	Impaired
Grade 5	Loss	Impaired

The table below summarizes the credit quality by class of financial asset, based on the Bank's internal credit classification methodology:

	Loans and advances to customers		Due from banks		Investment securities – debt	
	2014	2013	**2014**	2013	**2014**	2013
Neither past due nor impaired(low risk):						
Low risk – excellent	2,626,576	2,139,898	876,366	885,231	-	-
	2,626,576	2,139,898	**876,366**	885,231	-	-
Past due but not impaired (special mentioned):						
Standard grade / watch list	505,181	328,356	-	-	-	-
Carrying amount	**505,181**	328,356	-	-	-	-
Impaired						
Substandard (overdue > 3 months)	26,796	74,626	-	-	-	-
Doubtful (overdue > 6 months)	9,923	7,032	-	-	-	-
Loss (overdue > 9 months)	19,063	31,720	-	-	-	-
	55,782	113,378	-	-	-	-
Less: impairment allowance-specific	(194,398)	(151,725)	-	-	-	-
Carrying amount – net	**2,993,141**	2,429,907	**876,366**	885,231	-	-
Investment securities - debt						
Available for sale	-	-	-	-	1,377,384	1,193,815
Less: impairment allowance	-	-	-	-	-	(1,610)
Carrying amount – net	-	-	-	-	**1,377,384**	1,192,205
Total carrying amount	**2,993,141**	2,429,907	**876,366**	885,231	**1,377,384**	1,192,205

As at and for the year ended 31 December 2014 QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.2 Credit risk (continued)

ii) Credit quality by class of financial assets (continued)

It is the Bank's policy to maintain accurate and consistent risk ratings across the loans portfolio. This facilitates focused management of the applicable risks and the comparison of financing exposures across all lines of business and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy and QCB's regulations. The attributable risk ratings are assessed and updated regularly.

(a) Due from banks:
The amount due from banks consists of all high grade exposures. There were no past due on impaired balances as at 31 December 2014 (2013: Nil)

(b) Investment securities- debt:
There were no impairment losses on financial investments for the year ended 31 December 2014 (2013: 1.6 million). All the debt securities were of high grade at 31 December 2014 with neither past due nor impaired exposure.

(c) There were no impairment losses on other assets as at 31 December 2014 (2013: Nil). All other assets were of standard grade.

iii) Aging analysis of Past dues but not impaired category of loans and advances

Past due but not impaired loans and advances to customers are those for which contractual interest or principal payments are past due, but the Bank 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 Bank.

	2014	2013
Upto 30 days	385,721	178,483
30 to 60 days	119,460	106,673
60 – 90 days	-	43,200
Gross	505,181	328,356

iv) 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 Bank has collateral in the form of blocked deposits, pledge of shares or legal mortgage against the past due loans and advances to customers.

The aggregate collateral is QAR 513 million (2013: QAR 1,031 million) for past due up to 30 days, QAR 374 million (2013: QAR 367 million) for past due from 31 to 60 days and QAR 139 million (2013: QAR 529 million) for past due from 61 and above days, Nil (2013: QAR 135 million).

As at and for the year ended 31 December 2014 QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its funding requirements. Liquidity risk arises from fluctuations in cash flows due to market disruptions or credit down grades, which may cause certain sources of funding to cease immediately. Bank has a very low exposure to liquidity risk since all its assets are predominantly financed by Capital. Hence, pure liquidity and asset liability risks like maturity mismatch, interest rate risk in the Banking book are very minimal.

The table below set out the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date.

At 31 December 2014	Up to 1 Month	1 – 3 Months	3 – 12 Months	Sub total < 1 year	1 – 5 years	Over 5 years	No maturity	Total
Cash and balances with Qatar Central Bank	165,204	-	-	165,204	-	-	-	165,204
Due from banks	326,366	-	550,000	876,366	-	-	-	876,366
Loans and advances to customers	55,748	139,466	305,130	500,344	1,397,737	1,095,060	-	2,993,141
Investment securities	-	-	-	-	-	1,393,407	695,226	2,088,633
Investment in associates and joint ventures	-	-	-	-	-	-	30,401	30,401
Investment properties	-	-	-	-	-	-	135,328	135,328
Property and equipment	-	-	-	-	-	-	66,321	66,321
Other assets	-	-	-	-	-	-	356,595	356,595
Total assets	**547,318**	**139,466**	**855,130**	**1,541,914**	**1,397,737**	**2,488,467**	**1,283,871**	**6,711,989**
Due to banks	100,000	200,000	701,438	1,001,438	-	-	-	1,001,438
Other liabilities	204,779	-	-	204,779	-	-	-	204,779
Equity	-	-	-	-	-	-	5,505,772	5,505,772
Total liabilities and equity	**304,779**	**200,000**	**701,438**	**1,206,217**	**-**	**-**	**5,505,772**	**6,711,989**
Net liquidity gap	**242,539**	**(60,534)**	**153,692**	**335,697**	**1,397,737**	**2,488,467**	**(4,221,901)**	**-**
Cumulative liquidity gap	**242,539**	**182,005**	**335,697**	**335,697**	**1,733,434**	**4,221,901**	**-**	**-**

As at and for the year ended 31 December 2014 QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.3 Liquidity risk (continued)

At 31 December 2013	Up to 1 Month	1 – 3 Months	3 – 12 Months	Sub total < 1 year	1 – 5 years	Over 5 years	No maturity	Total
Cash and balances with Qatar Central Bank	129,478	-	-	129,478	-	-	-	129,478
Due from banks	735,231	-	100,000	835,231	-	50,000	-	885,231
Loans and advances to customers	54,502	88,980	256,839	400,321	1,031,877	997,709	-	2,429,907
Investment securities	-	-	-	-	-	1,192,205	646,870	1,839,075
Investment in associates and joint ventures	-	-	-	-	-	-	40,911	40,911
Investment properties	-	-	-	-	-	-	139,190	139,190
Property and equipment	-	-	-	-	-	-	68,226	68,226
Other assets	-	-	-	-	-	-	126,149	126,149
Total assets	919,211	88,980	356,839	1,365,030	1,031,877	2,239,914	1,021,346	5,658,167
Due to banks	102,737	300,000	700,000	1,102,737	300,000	-	-	1,402,737
Other liabilities	158,216	-	-	158,216	-	-	-	158,216
Equity							4,097,214	4,097,214
Total liabilities and equity	260,953	300,000	700,000	1,260,953	300,000	-	4,097,214	5,658,167
Net liquidity gap	658,258	(211,020)	(343,161)	104,077	731,877	2,239,914	(3,075,868)	-
Cumulative liquidity gap	658,258	447,238	104,077	104,077	835,954	3,075,868	-	-

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

a) Interest rate risk

Bank has an Interest rate risk exposure due to its investments in fixed income bonds. Interest rate risk in its fixed income bond portfolio is managed by way of a well laid out process of issuer due diligence and bond selection in line with Portfolio objectives. The investment and treasury policy of the bank defines issuer due diligence standards, approval authorities, Risk control limits and reporting. Bank uses variety of measures to measure interest rate risk sensitivity of its portfolio which includes duration and stress testing. VaR measures are also used wherever data is available.

The following table summarizes the re-pricing profile of the Bank assets, liabilities and off balance sheet exposures:

As at and for the year ended 31 December 2014 QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Market risk (continued)

a) Interest rate risk (continued)

The Bank's interest sensitivity position based on contractual repricing arrangements at 31 December 2014 was as follows:

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest sensitive	Total
Cash and balances with central bank	-	-	-	-	165,204	165,204
Due from banks	326,366	550,000	-	-	-	876,366
Loans and advances to customers	195,214	305,130	1,397,737	1,095,060	-	2,993,141
Investment securities	-	-	-	1,377,384	711,249	2,088,633
Investment in associates and joint ventures	-	-	-	-	30,401	30,401
Investment properties	-	-	-	-	135,328	135,328
Property and equipment	-	-	-	-	66,321	66,321
Other assets	-	-	-	-	356,595	356,595
Total assets	**521,580**	**855,130**	**1,397,737**	**2,472,444**	**1,465,098**	**6,711,989**
Due to banks	300,000	701,438	-	-	-	1,001,438
Other liabilities	-	-	-	-	204,779	204,779
Equity	-	-	-	-	5,505,772	5,505,772
Total liabilities and equity	**300,000**	**701,438**	**-**	**-**	**5,710,551**	**6,711,989**
On balance sheet interest rate sensitivity gap	**221,580**	**153,692**	**1,397,737**	**2,472,444**	**(4,245,453)**	**-**
Cumulative interest rate sensitivity gap	**221,580**	**375,272**	**1,773,009**	**4,245,453**	**-**	**-**

As at and for the year ended 31 December 2014 QAR '000s

4 FINANCIAL RISK MANAGEMENT (continued)

4.4 Market risk (continued)

a) Interest rate risk (continued)

The Bank's interest sensitivity position based on contractual repricing arrangements at 31 December 2013 was as follows:

	Up to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest sensitive	Total
Cash and balances with central bank	-	-	-	-	129,478	129,478
Due from banks	735,231	100,000	-	50,000	-	885,231
Loans and advances to customers	143,482	256,839	1,031,877	997,709	-	2,429,907
Investment securities	-	-	-	1,192,205	646,870	1,839,075
Investment in associates and joint ventures	-	-	-	-	40,911	40,911
Investment properties	-	-	-	-	139,190	139,190
Property and equipment	-	-	-	-	68,226	68,226
Other assets	-	-	-	-	126,149	126,149
Total assets	878,713	356,839	1,031,877	2,239,914	1,150,824	5,658,167
Due to banks	402,737	700,000	300,000	-	-	1,402,737
Other liabilities	-	-	-	-	158,216	158,216
Equity	-	-	-	-	4,097,214	4,097,214
Total liabilities and equity	402,737	700,000	300,000	-	4,255,430	5,658,167
On balance sheet interest rate sensitivity gap	475,976	(343,161)	731,877	2,239,914	(3,104,606)	-
Cumulative interest rate sensitivity gap	475,976	132,815	864,692	3,104,606	-	-

As at and for the year ended 31 December 2014 QAR '000s

4 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

4.4 Market risk (continued)

a) Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's statement of comprehensive income.

The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at reporting date. The effect of decreases in basis points is expected to be equal and opposite to the effect of the increases shown.

		Sensitivity of net interest income	
	Increase in basis points	**2014**	2013
Currency			
QR	+10	**1,681**	1,309

b) Currency risk

In the opinion of the management, the Bank's exposure to currency risk is minimal as most of the foreign currency financial assets and liabilities are denominated in US Dollars and Euros. As the Qatari Riyal is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk. The exposure to Euro currency is also minimal and hence not considered to represent the significant risk.

c) Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity and the value of individual investments. The effect on equity due to a reasonable possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in equity price	Effect on equity 2014	Effect on equity 2013
Qatar Exchange	10%	**68,821**	63,538

4.5 Operational and other risks

Operational risk refers to the loss resulting from inadequate or failed internal processes, people and systems or from external events. The Bank endeavors to minimize operational losses by ensuring that effective infrastructure, controls, systems and individuals are in place throughout the organization. An enterprise wide Risk and Control Self-Assessment (RCSA) Process helps the bank to identify risks, test controls and track and report significant operational risk exposures through KRI's and operational risk loss data. Likewise regulatory, legal and reputation risks are assessed by way of risk scorecards and controlled through. External legal advice is obtained from lawyers to confirm legal and regulatory requirements, where required.

Other risks to which the Bank is exposed are regulatory risk, legal risk and reputational risk. Regulatory risk is controlled through a framework of compliance policies and procedures. Legal risk is managed through the effective use of external legal advisers. Reputational risk is controlled through the regular examination of issues that are considered to have reputational repercussions for the Bank, with guidelines and policies being issued as appropriate.

As at and for the year ended 31 December 2014 QAR '000s

4 RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (continued)

4.6 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong ratings and healthy capital ratios in order to support its business and to maximize shareholders value. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders or issue additional capital securities. No changes were made in the objectives, policies and process from the previous years.

The Bank maintains an actively managed capital base to cover risks inherent in the business.

Capital comprises of share capital, general reserve and retained earnings amounting to QR 4.9 billion (2013: QR 3.6 billion).

5 FINANCIAL ASSETS AND LIABILITIES

(a) Accounting classifications and fair values

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

	Loans and receivables	**Available-for-sale**	**Other amortised cost**	**Total Carrying amount**	**Fair value**
31 December 2014					
Cash and balances with central bank	165,204	-	-	165,204	165,204
Due from banks	876,366	-	-	876,366	876,366
Loans and advances to customers	2,993,141	-	-	2,993,141	2,993,141
Investment securities	-	2,088,633	-	2,088,633	2,088,633
Other assets	-	-	43,642	43,642	43,642
	4,034,711	**2,088,633**	**43,642**	**6,166,986**	**6,166,986**
Due to banks	-	-	1,001,438	1,001,438	1,001,438
Other liabilities	-	-	204,779	204,779	204,779
	-	-	**1,206,217**	**1,206,217**	**1,206,217**

	Loans and receivables	Available-for-sale	Other amortised cost	Total Carrying amount	Fair value
31 December 2013					
Cash and balances with central bank	129,478	-	-	129,478	129,478
Due from banks	885,231	-	-	885,231	885,231
Loans and advances to customers	2,429,907	-	-	2,429,907	2,429,907
Investment securities	-	1,839,075	-	1,839,075	1,839,075
Other assets	-	-	60,505	60,505	60,505
	3,444,616	1,839,075	60,505	5,344,196	5,344,196
Due to banks	-	-	1,402,737	1,402,737	1,402,737
Other liabilities	-	-	158,216	158,216	158,216
	-	-	1,560,953	1,560,953	1,560,953

6 USE OF ESTIMATES AND JUDGMENTS

(a) Key sources of estimation uncertainty

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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 accounting policy.

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

(ii) Allowances for financial assets not carried at fair values through profit and loss

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

For an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In this respect, the Bank regards a decline in fair value in excess of 20% to be 'significant' and a decline in a quoted market price that persisted for nine months or longer to be 'prolonged'.

As at and for the year ended 31 December 2014 QAR '000s

6 USE OF ESTIMATES AND JUDGMENTS (continued)

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

(i) Valuation of financial instruments

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Investment securities	**2,065,594**	-	-	**2,065,594**

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Investment Securities	1,821,069	-	-	1,821,069

Investment securities - at cost

At 31 December 2014, certain unquoted financial assets available for sale amounting to QR 23 million (2013: 18 million) are carried at cost due to non availability of quoted market prices or other reliable measures of their fair values. Management believes there is no impairment in their value. The fair value of the financial instruments, which are not measured at fair value approximates their carrying amount, hence not included in the fair value hierarchy table.

Further, the investment in Q-Media (refer note 10(1)) amounting to QR 1 is initially recognised at cost due to non-availability of observable market data and hence no gain / loss has been recognised on initial recognition.

(ii) Impairment of investments in equity and debt securities

Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies section.

(iii) Useful lives of property and equipment / investment property

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

7 DUE FROM BANKS

	2014	2013
Current accounts	1,106	598,968
Call accounts	123,934	136,263
Placements	751,326	150,000
	876,366	885,231

As at and for the year ended 31 December 2014 QAR '000s

7 DUE FROM BANKS (continued)

	2014	2013
The geographical distribution is set out below:		
Qatar	861,504	874,481
North America	9,541	10,587
Europe	4,204	163
Other GCC countries	1,117	-
	876,366	885,231

8 LOANS AND ADVANCES TO CUSTOMERS

a) By type	2014	2013
(i)Conventional banking loans and advances		
Non- agricultural and fishery loans	2,178,243	2,030,096
Agricultural and fishery loans	37,307	30,412
	2,215,550	2,060,508
Specific impairment on advances to customers	(194,398)	(151,725)
Conventional banking loans and advances	**2,021,152**	1,908,783
(ii)Islamic financing activities		
Murabaha	285,755	71,609
Istisna'a	35,380	447,083
Ijarah	671,777	39,791
	992,912	558,483
Deferred income on Islamic finances	(20,923)	(37,359)
Net financing activates	**971,989**	521,124
Net loan and advances and financing activities	**2,993,141**	2,429,907

b) All loans and advances are to corporate customers and small and medium sized entities located in the State of Qatar.

c) The movement in the allowance for impairment of loans and advances is as follows:

	2014	2013
At 1 January	151,725	95,099
Charge for the year	66,329	68,512
Recoveries	(23,656)	(11,886)
At 31 December	**194,398**	151,725

Interest in suspense of QR 4,129 thousand as at 31 December 2014 (2013: QR 5,383 thousand) is for the purpose of Qatar Central Bank regulatory requirements, effectively included in the above allowance for impairment on loans and advances. Movement in interest in suspense during the year amounted to a net recovery of QR 1,254 thousand (2013: net recovery of QR 778 thousand).

d) Details of non-performing loans are as follows:

The net amount of non-performing loans and advances and financing activities to customers as at 31 December 2014 amounted to QR 55.782 million representing 1.7% (2013: QR 113 million representing 4.3%) of the total gross loans and advances to customers.

As at and for the year ended 31 December 2014 QAR '000s

8 LOANS AND ADVANCES TO CUSTOMERS (continued)

e) Net Impairment during the year:

	2014	2013
Loans and advances (net of recoveries)	45,181	57,404
Other provisions	13,996	2,337
Interest in suspense	(1,254)	(778)
For the year ended 31 December	**57,923**	58,963

9 INVESTMENT SECURITIES

	2014			2013		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Available for sale investments						
a) By type						
Equity securities measured at fair value	688,210	-	688,210	635,382	-	635,382
Equity securities measured at cost	-	7,016	7,016	-	7,016	7,016
State of Qatar Bonds	890,854	-	890,854	701,347	-	701,347
Other debt securities	486,530	-	486,530	492,470	-	492,470
Investment funds	-	16,023	16,023	-	10,990	10,990
Total	**2,065,594**	**23,039**	**2,088,633**	1,829,199	18,006	1,847,205
Impairment loss	-	-	-	(8,130)	-	(8,130)
Total	**2,065,594**	**23,039**	**2,088,633**	1,821,069	18,006	1,839,075

The State of Qatar Bonds and other debt securities financial assets amounting to QR. 890.9 million and QR. 486.5 million respectively (2013: QR 701.3 million and QR. 492.5 million) represent investments in fixed rate securities. There are no investments in floating rate securities as at 31 December 2014.

No impairment losses on the investments was recognised during the year ended 31 December 2014 (2013: 8.1 million).

10 INTEREST IN OTHER ENTITIES

Set out below is the summary of the Bank's interest in other entities:

Name of the entity	Description of activities	Accounting treatment
Q Media W.L.L	The main activities of the Q-Media ("the Company") are to provide media and outdoor advertising services, marketing services, managing events, printing and road signboard services.	Disclosed as an interest in other entity and treated as an available for sale investment. Refer note 1
Yellow Services S.P.C.	The Company was designed to facilitate the acquisition of Q-Media.	Treated as a subsidiary but not consolidated as the company's operations are not material to the Bank. Refer Note 2.

As at and for the year ended 31 December 2014 QAR '000s

10 INTEREST IN OTHER ENTITIES (continued)

Name of the entity	Description of activities	Accounting treatment
Ellan Entertainment Development W.L.L. (a subsidiary of Q-Media)	The principal activities of the Company are investment in properties including construction, sales and operating, development of various kinds of projects, general building contracting and operating real estate.	Treated as a subsidiary but not consolidated as the company's operations are not material to the Bank. Refer Note 3.
Small and Medium Enterprises Development Company Q.S.C. ("EQ")	The principal activities of the Company are to provide entrepreneurs and small and medium enterprises with the support that allows them to promote their capabilities, continue to build their businesses and successfully carry out their operations.	Treated as a subsidiary but not consolidated as the company's operations are not material to the Bank. Refer Note 4.
Qatari German Company for Medical Devices Q.S.C.	The principal activities of the Company are manufacturing of single used disposable syringes.	Disclosed as interest in other entity. The Bank has extended a financing facility amounting to QR 59.875 million to the company.
Al Shams Advanced Lighting Technologies Q.P.S.C	The principal activities of the Company are manufacturing HID lamps and other lighting products.	Disclosed as an interest in other entity and treated as an investment in associate. Refer note 11. Further, the Bank has extended a financing facility amounting to QR 9.45 million to the company.
Housing Loan Portfolio managed by the Bank	The portfolio contains government sponsored and funded housing loans to Qatari Nationals managed by the Bank.	1% of the total portfolio is recognised as income.

Note 1
During the year, the ownership of Q-Media was transferred to the Bank on the instruction of Ministry of Finance (MoF) at QR 1. 99.1% of the shares of Q-Media were transferred to QDB directly and 0.9% through its wholly owned company Yellow Services S.P.C. (structured entity established only to acquire Q-Media).

Q-Media is not consolidated in the books of the Bank in accordance with IFRS 10 "Consolidated Financial Statements", as Ministry of Finance (MOF) has the right to change the owner without showing any reason as per letter dated 19 October 2014 from the MOF.

The maximum exposure to loss for the Bank is the credit risk in respect of loan amounting to QR 995 million provided by the Bank to the Company. However, the Bank's exposure towards the Company is secured through a guarantee issued by the MoF to settle the loan in case of default.

As at and for the year ended 31 December 2014 QAR '000s

10 INTEREST IN OTHER ENTITIES (continued)

Note 1 (continued)

The following table provides the carrying amounts and classifications of interests recorded in the Bank's Statement of financial position and maximum exposure to loss as of and for the year ended 31 December 2014.

31 December 2014	Total
	In QR '000
Statement of financial position line items	
Available-for-Sale investment	-*
Loans and advances to customer	965,813
Interest receivable	29,457
Total assets	**995,270**
Statement of comprehensive income line items	
Interest income	**29,138**
Maximum exposure to loss	**995,270**

*This represents investment in Q-Media amounting to QR 1

Note 2
Yellow Services S.P.C. has net assets of QR 200,000 representing only the share capital and cash as at 31 December 2014.

Note 3
The ownership of Ellan Entertainment Development W.L.L. has been transferred to the Bank with effect from 26 February 2014 without consideration, as a pass through arrangement, to facilitate the sale of lands owned by it to a third party. Ellan Entertainment Development W.L.L. has net assets of QR 200,000 representing the share capital and cash as at 31 December 2014, excluding the liability to a third party amounting to QR 138 million which will be borne by Q-Media as per the letter dated 16 November 2014.

Note 4
On 11 August 2014, the Ministry of Finance received a letter from the office of the Prime Minister instructing the merger of Small and Medium Enterprises Development Company Q.S.C. ("EQ") with the Bank. Further, on 26 November 2014, HE Emir of Qatar approved the merger of EQ with the Bank. Upon completion of the merger, which is expected to occur in early 2015, all the assets and liabilities of the EQ will be transferred to the Bank and thereafter the legal ownership of the EQ will be cancelled. EQ has net assets of QR 20.4 million as at 31 December 2014.

11 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2014	2013
Balance at 1 January	40,911	39,972
Investments acquired during the year	195	1,556
Share of results	(4,599)	(617)
Impaired during the year	(6,106)	-
Balance at 31 December	**30,401**	40,911

As at and for the year ended 31 December 2014 QAR '000s

11 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Name of the Company	Amount 2014	Amount 2013	Associates/ Joint venture	Country	Company's Activities	Ownership % 2014	Ownership % 2013
Al Shams Advanced Lighting Technologies Q.P.S.C*	-	5,911	Associate	Qatar	Manufacturing HID lamps and other lighting products	26%	25%
Qatar Business Incubator	30,401	35,000	Joint Venture	Qatar	Career development and entrepreneurship services for the youth of Qatar	50%	50%
The Bedaya Centre**	-	-	Joint Venture	Qatar	Catering to the diversified needs of SMEs with tailor-made solutions and toolkits.	50%	50%

The financial position and results of associates and joint ventures based on financial statements, as at and for the year ended 31 December 2014 are as follows:

	Al Shams advanced lighting technologies	Qatar Business Incubator	The Bedaya Centre
31 December 2014			
Total assets	12,689	77,396	1,397
Total liabilities	10,065	4,594	10,702
Total revenue	733	67	383
Net loss	1,835	9,197	2,898
Share of net loss	-	4,599	-

*The Investments in this associate has been fully impaired.

**The Investments in this joint venture has been fully impaired. The Bank has recognised the share of loss up to the cost of the investment in prior years.

As at and for the year ended 31 December 2014 QAR '000s

12 INVESTMENT PROPERTIES

The movement in investment property is as follows:

	Buildings	Land	Total
Cost			
Balance at 1 January 2013	96,557	53,576	150,133
Acquisitions	-	-	-
Balance at 31 December 2013	96,557	53,576	150,133
Balance at 1 January 2014	96,557	53,576	150,133
Acquisitions	-	-	-
Balance at 31 December 2014	**96,557**	**53,576**	**150,133**
Accumulated depreciation			
Balance at 1 January 2013	(7,081)	-	(7,081)
Charge during the year	(3,862)	-	(3,862)
Balance at 31 December 2013	(10,943)	-	(10,943)
Balance at 1 January 2014	(10,943)	-	(10,943)
Charge during the year	(3,862)	-	(3,862)
Balance at 31 December 2014	**(14,805)**	-	**(14,805)**
Carrying amounts			
Balance at 1 January 2013	89,476	53,576	143,052
Balance at 31 December 2013	85,614	53,376	139,190
Balance at 31 December 2014	**81,752**	**53,576**	**135,328**

The investment property is valued at QR: 142.5 million as on 31 December 2014 (2013 QR: 140million). This value is based on average market values carried out by independent valuers not connected with the Bank, by reference to market evidence of recent transactions for similar properties.

Rental income generated from this investment property amounting to QR 3,498 million (2013: QR 3,458 million) and no direct operating expenses were recognized in the statement of income during the year.

As at and for the year ended 31 December 2014 QAR '000s

13 PROPERTY AND EQUIPMENT

	Land and building	Furniture and fixtures	Office Equipment	Work-in-progress	Total
Cost					
Balance at 1 January 2013	23,377	10,526	28,707	-	62,610
Additions	-	81	8,777	36,716	45,574
Disposals	(34)	-	-	-	(34)
Balance at 31 December 2013	23,343	10,607	37,484	36,716	108,150
Balance at 1 January 2014	23,343	10,607	37,484	36,716	108,150
Additions	6,188	-	7,691	-	13,879
Transfers	21,047	5,769	9,900	(36,716)	-
Disposals	-	-	-	-	-
Balance at 31 December 2014	**50,578**	**16,376**	**55,075**	**-**	**122,029**
Accumulated Depreciation					
Balance at 1 January 2013	8,899	7,979	12,044	-	28,922
Depreciation during the year	953	1,145	8,904	-	11,002
Disposals	-	-	-	-	-
Balance at 31 December 2013	9,852	9,124	20,948	-	39,924
Balance at 1 January 2014	9,852	9,124	20,948	-	39,924
Depreciation during the year	935	1,811	13,038	-	15,784
Disposals	-	-	-	-	-
Balance at 31 December 2014	**10,787**	**10,935**	**33,986**	**-**	**55,708**
Carrying amounts					
Balance at 1 January 2013	14,478	2,548	16,663	-	33,688
Balance at 31 December 2013	13,491	1,483	16,536	36,716	68,226
Balance at 31 December 2014	**39,791**	**5,441**	**21,089**	**-**	**66,321**

As at and for the year ended 31 December 2014 QAR '000s

14 OTHER ASSETS

	2014	2013
Accrued interest receivable	28,185	46,569
Staff furniture allowance	10,398	9,462
Prepayments	167	6,837
Other receivables (a)	4,599	3,952
Work in progress (b)	312,786	58,807
Other debit balances	460	522
	356,595	126,149

(a) Other receivables include receivable from Qatar Business Incubator amounting to QR 4.5 million (2013: Qatar Business Incubator amounting to QR 47 thousands and Bedaya Centre amounting to QR 3.9 million respectively).

(b) This represents the expenses incurred on construction of the Al-Farjan project in collaboration with Ministry of Business and Trade.

15 OTHER LIABILITIES

	2014	2013
Deferred income	63,592	81,513
Accruals and others	19,363	19,128
Accounts payable	21,072	7,207
Provision for end of service benefits (a)	13,395	10,395
Other provisions (b)	30,217	22,667
Board and committee's remuneration payable	5,350	7,150
Margin deposits	51,040	9,407
Loan fees payable	750	749
	204,779	158,216

(a) Provision for end-of-service benefits

	2014	2013
At 1 January	10,395	8,117
Provision made during the year	4,412	2,597
Payments during the year	(1,412)	(319)
At 31 December	13,395	10,395

(b) This represents the allowances for impairment made against guarantees (AL –Dahmeen).

16 EQUITY

Share capital
The authorised capital of the Bank amounts to QR 10,000 million (2013: QR 10,000 million) consisting of 1,000 million shares of QR 10 each. The paid up capital amounted to QR 4,500 million consisting of 450 million shares of QR 10 each. The Government of the State of Qatar is the ultimate parent and controlling party of the Bank.

During the year, the Bank has received QR 1,200 million (2013: QR 400 million) from the Government as a contribution towards the authorised capital.

As at and for the year ended 31 December 2014 QAR '000s

16 EQUITY (continued)

Legal reserve
In accordance with the Bank's Articles of Association, at least 20% of the net profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. The minimum required percentage of transfer to legal reserve as per Qatar Central Bank rules and regulations is 10% (2013: 10%). This reserve is not available for distribution except in circumstances specified in the Qatar Commercial Companies Law No. 5 of 2002 and with the approval of Qatar Central Bank.

General reserve
The general reserve was created in 1997 in accordance with Article 31 (3) of the Articles of Association. This reserve can be used at the discretion of the General Assembly, after obtaining the approval of Qatar Central Bank.

Risk reserve
In accordance with Qatar Central Bank rules and regulations, a risk reserve is made to cover contingencies on the loans, advances and financing activities to customers with a minimum requirement of 2.5% (2013: 2.5%) of the total private sector exposure, net of cash secured facilities is made to cover contingencies on the private sector loans and advances. The Bank is currently transferring 3% to the reserve (2013: 3%).

Fair value reserve

	Positive fair value	Negative fair value	Total
Available-for-sale investments	**2014**	**2014**	**2014**
At 1 January	277,593	(653)	276,940
Net movement in unrealized fair value during the year	139,222	(1,431)	137,791
At 31 December	**416,815**	**(2,084)**	**414,731**
Available-for-sale investments	2013	2013	2013
At 1 January	260,628	(4,797)	255,831
Net movement in unrealized fair value during the year	16,965	4,144	21,109
At 31 December	277,593	(653)	276,940

17 CONTINGENT LIABILITIES AND COMMITMENTS

	2014	2013
Al-Tasdeer	14,278	158,835
Al- Dahmeen	330,140	191,641
Letters of guarantee	127,535	48,305
Letters of credit	218,323	127,558
Unutilised credit facilities	1,594,886	1,485,039
Capital commitments	14,842	13,026
	2,300,004	2,024,404

As at and for the year ended 31 December 2014 QAR '000s

17 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

i) Al-Tasdeer (export promotion agency)

This commits the Bank to make payments to its customers, contingent upon the credit default of their overseas importers as per the terms of the contracts, thereby providing them guarantee to cover their credit risk.

ii) Guarantees, Al-Dahmeen and letters of credit

Letters of credit, guarantees, Al-Dahmeen (Financial guarantee provided to customers in partnership with other banks) commit the Bank to make payments on behalf of customer's contingent upon their failure to perform under the terms of the contract. Guarantees, Al-Dahmeen and standby letters of credit carry the same risk as loans. Credit guarantees can be in the form of irrevocable letters of credit, credit insurance, advance payment guarantees and endorsement liabilities from bills rediscounted.

iii) Unutilized facilities

Commitments to extend credit represent contractual commitments to fund loans and revolving credits. Commitments generally have fixed expiry dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. The commitments generally have expiry dates of less than one year.

iv) Capital commitments

This includes the Bank's commitments towards the share capital of the investee company and fund as per the shareholders agreement.

18 INTEREST INCOME

	2014	2013
Due from banks	11,595	11,587
Loans and advances to customers	81,328	45,871
Debt securities	59,934	51,943
	152,857	109,401

19 FEE AND COMMISSION INCOME

	2014	2013
Fee income on loans and advances	11,238	5,663
Fee income on land loans department	126,577	130,105
Fee income on Al-Tasdeer	3,998	2,462
Fee income on Al- Dahmeen	3,227	2,654
Fee income on indirect facilities	6,488	2,749
	151,528	143,633

20 INCOME FROM INVESTMENT SECURITIES

	2014	2013
Net gains on sale of available-for-sale financial assets	6,245	-
Dividend income	24,415	27,297
	30,660	27,297

As at and for the year ended 31 December 2014 QAR '000s

21 STAFF AND OTHER COSTS

	2014	2013
Staff cost	128,830	104,735
Repairs and maintenance	3,146	3,485
Board of Directors and committee's remuneration	3,050	4,000
Advertisement	19,065	15,049
Professional and Governmental fees	29,621	23,758
Communication and insurance	1,870	1,868
Travel and entertainment	2,313	1,028
Printing and stationery	311	795
IT expenses	7,093	4,683
Others	3,242	3,006
	198,541	162,407

22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following amounts:

	2014	2013
Cash and balances with Qatar Central Bank	165,204	129,478
Current accounts with banks	1,106	598,968
Call accounts with banks	123,934	136,263
Term deposit with banks (with an original maturity of 90 days or less)	201,326	100,000
	491,570	964,709

23 RELATED PARTY DISCLOSURES

The Bank enters into transactions with major shareholder, directors and key management personnel of the Bank, and entities controlled, jointly controlled, or significantly influenced by such parties. All the loans and advances and financing activities to related parties are given at market rates.

The year - end balances in respect of related parties included in the financial statements are as follows:

	2014		
	Government of State of Qatar	**Associate**	**Joint Ventures**
a) Statement of financial position			
Financial investments	890,854		
Other receivable (note 14a)		-	4,599
Investments in associates and joint ventures		-	30,401
Gross amount of loans and advances		9,451	
Specific impairment on advances to customers		9,296	
b) Statement of comprehensive income			
Interest on the State of Qatar bonds	34,602		
Net impairment loss on loans and advances to customers		7,567	

As at and for the year ended 31 December 2014 QAR '000s

23 RELATED PARTY DISCLOSURES (continued)

	2013		
	Government of State of Qatar	Associate	Joint Ventures
a) Statement of financial position			
Financial investments	701,347		
Other receivable (note 14a)		-	3,952
Investments in associates and joint ventures		5,911	35,000
Gross amount of loans and advances		8,643	
Specific impairment on advances to customers		1,729	
b) Statement of comprehensive income			
Interest on the State of Qatar bonds	26,358		
Net impairment loss on loans and advances to customers		1,729	

Board of Directors remuneration amounted to QR 2,800 thousand (2013: QR 2,800 thousand).

Compensation of key management personnel is as follow:

	2014	2013
Salaries and other benefits	8,697	7,443

24 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current period's financial statements. However, such reclassification does not have any effect on the net income, net assets and equity of the previous period.