

QINVEST

ANNUAL REPORT 2013 31 DECEMBER 2013

PARTNERS IN VALUE CREATION





HIS HIGHNESS SHEIKH HAMAD BIN KHALIFA AL-THANI FATHER EMIR



HIS HIGHNESS
SHEIKH TAMIM BIN HAMAD
BIN KHALIFA AL-THANI
EMIR OF THE STATE OF QATAR



QInvest is Qatar's leading financial services firm and, with operations across the Middle East, Africa and Europe, is one of the most prominent Islamic financing institutions in the world. QInvest has built world class investment and advisory capabilities, with the highest standards of governance and transparency underpinning its client-focused approach. The firm's priority is to deliver high-value propositions, considered solutions and tangible results for its clients and shareholders.

QInvest's three business divisions are Investment Banking, Principal Investments and Asset Management. It has unrivalled expertise in structuring Islamic products and provides clients with Sharia'a compliant solutions quickly and competitively. The firm has offices in Doha, Riyadh and Istanbul, as well as affiliates in India and the UK. Its team of investment professionals is the largest in the MENA region and provides a blend of broad international experience, deep regional knowledge and unparalleled relationships in Qatar. This reach and range of skills uniquely positions the firm to facilitate the flow of business between Qatar, the region and global markets, making it a key institution in Qatar's international investment plans.

QInvest was licensed by the Qatar Financial Centre Authority in April 2007 and is authorised by the Qatar Financial Centre Regulatory Authority. QInvest's shareholders include Qatar Islamic Bank and other institutional investors, as well as high-net-worth individuals. The firm has authorized capital of US\$ 1 billion and paid up capital of US\$ 750 million.



CONTENTS

BOARD OF DIRECTORS	8
CHAIRMAN'S STATEMENT	11
CEO'S STATEMENT	13
BUSINESS OVERVIEW	
• Management team	18
• Business Lines	23
• Governance	29
CONSOLIDATED FINANCIAL STATEMENTS	31















H.E. Sheikh Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani

CHAIRMAN

H.E. SHEIKH MUBARAK BIN ABDULLAH M. ALKHAFRAH

BOARD MEMBER

MOHAMED ABDULLATIF AL MANAA

BOARD MEMBER

Salah Mohammed Jaidah

BOARD MEMBER

BASSEL GAMAL

BOARD MEMBER

Gourang Hemani

Board Member





2013 has been a year of change and growth for QInvest.

Investment markets globally have continued to evolve and we have experienced increased recognition and commitment to Islamic finance in many of the major markets. QInvest has been at the forefront of this change securing [14] significant transactions.

Throughout 2013 our focus has been on implementing our strategy to further support Qatar and the wider region's international investment plans as well as act as the gateway for investors looking to access the region's fast growing dynamic economy.

To achieve this strategy we streamlined QInvest into three business lines: Investment Banking, Principle Investments and Asset Management.

I am pleased to report that the strategic changes we implemented are already driving results. In 2013 we achieved an increase in revenue of 40%, a reduction in costs of 29% and a return to profitability.

These results are a clear indication that our new strategy is working and, as we look to the year ahead, I am confident that we are now well positioned to deliver results in line with your ambitions.

Accomplishments in 2013

Let me take a moment to focus on our accomplishments.

On the Investment Banking front, the business experienced significant activity across the entire Islamic financing spectrum, delivering some of the largest transactions globally including the Government of Turkey and Ooredoo sukuk. Our financing book continues to grow providing stable recurring income as well as immediate returns.

Our Principal Investments team focused on investments that provide short term profitability and long term value creation within a manageable risk framework. Principal Investments remain a core part of the Firm and our Real Estate franchise continued to make a significant contribution to the business. Looking ahead, we will continue to invest within our carefully selected investment criteria across all these businesses.

The Asset Management team had a good year. They added significant value to QInvest shareholders through considerably higher than expected revenue contributions, as well as to investors through some of the best performing Sharia'a investment funds and products in their investment class. Asset Management is a key growth area for our business going forward.

A significant component of our new strategic approach is to strengthen our international reach and grow our presence in key markets. We are fully committed to our activities in Turkey and Saudi Arabia and see real value in our affiliates in India and the UK.

To help affect the new strategy, we have also made structural changes within the core team. We appointed Chief Financial/Chief Operating Officer and Head of Investment Banking, and we have now a world class team which is in a strong position to take QInvest through further accomplishments.

Complementing the strategic restructuring, we have been working increasingly with our shareholders. Last year we closely worked

with our largest shareholder, Qatar Islamic Bank (QIB), and its subsidiaries to grow this relationship while benefit from the wider network.

We have closed the buyback program of up to 44,642,857 Qlnvest Shares. The program was offered to all shareholders allowing them the opportunity for those keen to adjust their individual portfolio.

Strategic Vision for 2014 and Beyond

We started off the New Year with a well rooted new structure and fresh strategy, and I am confident that we are well positioned to remain the leading investment bank in Qatar and solidify our position as one of the world's most prominent global Islamic financial institutions.

Summary

2013 was a turning point for Qlnvest. We have a great leadership team and we should be proud of the changes that have been implemented across the firm to improve performance and set a course for future growth. These changes have laid the foundations for Qlnvest to ensure further achievements in 2014 and beyond.

On behalf of the Board, I would like to thank our shareholders for their patience and support, and colleagues at QInvest for their commitment to the success of the business.

I extend a warm gratitude to our Sharia'a Supervisory Board for their wise counsel and guidance on our activities during the year.



Jassim Bin Hamad Bin Jassim Bin Jaber Al Thani

Chairman





2013 was a year of transformation for QInvest and I am pleased to report we have achieved an increase in revenue of 40%, a reduction in costs of 29% and a return to profitability. These results are a clear indication that our new strategy is working and, as we look to the year ahead, I am confident that we are now positioned to deliver results worthy of your aspirations.

Strategic Initiatives

As investment markets globally continue to evolve, we have focused throughout 2013 on executing our new strategy. Our aim was to structure the Firm to fully support Qatar and the wider region's international investment plans as well as act as the gateway for investors looking to access the region's fast growing dynamic economy.

As part of the new strategy, we streamlined QInvest into three business lines: Investment Banking, Principle Investments and Asset Management. On the Investment Banking front, Michael Katounas, who was appointed division head in April last year, simplified the division's structure, creating greater efficiencies and more effectiveness. The business experienced significant activity

across the entire Islamic financing spectrum, delivering some of the largest transactions globally including the Government of Turkey and Ooredoo sukuk. Our financing book continues to grow providing stable recurring income as well as immediate returns.

Our Principle Investments team executed a major shift in strategy last year, with the decision taken to no longer pursue pure equity exposure going forward. We are redirecting our efforts to investments that provide short term profitability and long term value creation within a manageable risk framework. Nonetheless, Principal Investments remains a core part of the Firm. Our Real Estate franchise, historically a key strength of our business, once again delivered impressive results. Our private equity portfolio has stabilised and we are looking at material value creation and monetisation initiatives across all investments. The sukuk book continues to generate returns from both yield and capital appreciation. We will continue to invest within our carefully selected investment criteria across all these businesses.

Asset Management had its best year ever. The team added significant value to QInvest shareholders through significantly higher than expected revenue contributions, as well to investors through some of the best performing Sharia'a investment funds and products in their investment class. We are in the process of acquiring the asset management activities of QIB UK and have already put in place the systems for accessing QIB's captive client base. We see the QInvest Managed Account Platform (QMAP) as a unique open architecture platform that is already starting to deliver significant results for the Firm. Asset Management is a key growth area in 2014 and beyond.

In line with the changes across our business lines, we have strengthened our international presence and have developed deeper access to our key markets. We are fully committed to our presence in Turkey and Saudi Arabia and see real value in our affiliates in India and the UK. We see tremendous growth from our region and as we continue to expand outside Qatar, our international presence will be an important engine of growth.

In 2013, we appointed Duncan Walker, who has over 20 years of experience in finance, administration and accounting, as Chief Financial / Chief Operating Officer. We believe that the quality of our business is not only evaluated on the ability to generate revenues but also in the integrity of the support services.

Complementing the strategic restructuring, we have been working increasingly with our largest shareholder, Qatar Islamic Bank (QIB) and its subsidiaries. We have deployed a strategic co-operation agreement that enables us to benefit from the wider QIB network and from access to QIB's balance sheet. We will continue to work closely with QIB while retaining our own unique corporate identity.

We believe that the successful changes to the bank's structure, efficiency optimisation plan, and launch of our new strategy have resulted in a stronger and more stable team, as well as a healthier and more efficient balance sheet. We are confident that the bank now has all the ingredients to maintain its position as the leading investment bank in Qatar and one of the world's prominent global Islamic financial institutions.

CEO'S STATEMENT

Business Update

During 2013, regional financial markets continued to operate at restrained levels. Nonetheless, all of our three revenuegenerating business lines have successfully positioned themselves to capture new business and solidify relationships with existing clients. During the same period, our revised capital deployment initiative has effectively sourced and executed both compelling and secured investment opportunities which we are confident will perform well in the years to come.

Below is a summary of the activities and initiatives the team has carried out in 2013:

Investment Banking

- Completed as joint lead manager and bookrunner, the debut US\$ 1.25bn sukuk for Ooredoo, which utilized an innovative sukuk structure.
- Completed as joint lead manager and bookrunner, the US\$ 1.25bn sovereign sukuk issuance for the Republic of Turkey.
- Completed as co-lead manager Turkiye Finans' successful debut US\$ 500m sukuk issuance.
- Completed as joint lead manager Dar Al Arkan's US\$ 450m sukuk issuance.
- Completed as sole bookrunner, a syndicated Murabaha facility for İş Leasing.
- Completed as sole financial adviser, the acquisition of a strategic stake in 360Buy Jingdong Inc. by a consortium of investors led by Kingdom Holding Company.

- Completed as sole financial adviser, the acquisition of a stake in Xiaomi.
- Completed as sole financial adviser, the acquisition of a strategic controlling stake in Bush Foods Overseas Private Limited in India for Qatar's Hassad Food Company.
- Completed as sole financial adviser, a capital structure advisory assignment for a hospitality entity.
- Completed the issuance of a capital protected Islamic structured note.
- Structured a number of Islamic repo transactions for various financial institutions.
- Mandated by a Turkish corporate as lead manager and bookrunner for its debut sukuk transaction.
- Mandated by an entity to advise on the acquisition of a food beverage business.
- Mandated by an entity to advise on the sale of a Qatar retail property.

Principal Investments

- We continued to monitor the firm's existing investments with the objective of maximising value and realising exits at opportune times.
- In line with the corporate strategy of reducing our balance sheet exposure to equity, we completed the following:
- Exited one of our private equity investments in the UAE, Butlers Dry Cleaning & Laundry Services LLC.
- Improved operations for one of our regional investments with the aim of exiting in 2014.

- Made the necessary arrangements to consolidate our Indian investments under our strategic partner as to better manage and extract value and expect this to be completed in the first guarter of 2014.
- Continued to deploy capital in sukuk capitalising on opportunities arising from global and regional macroeconomic conditions.
- Continued to explore regional growth opportunities.
- Partly syndicated to investors equity in a luxury residential real estate development transaction in London.
- Finalised a QAR 169 million senior secured financing facility for a Qatar real estate asset.
- Finalised a GBP 16 million secured mezzanine financing facility for central London properties.
- Finalised a US\$ 50 million secured mezzanine financing facility for three commercial assets in New York.
- Finalised a QR 280 million secured mezzanine and profit participating financing facility for four yielding commercial assets in Doha, Qatar.
- Successfully restructured and refinanced the owned asset in Elancourt, France.
- We continue to pursue secured mezzanine financing and equity opportunities in the region and beyond.

Asset Management

- We have formerly launched our QInvest Managed Account Platform (QMAP) fund range. This is a pioneering solution which provides shareholders and clients with the opportunity to select from a range of high quality funds that are managed by both inhouse and third party top tier professional teams. QMAP fund performances were amongst the best in their class with investors benefitting from returns of up to 30% net of fees, across a range of investments focused on global developed markets. Additional enhancements to QMAP include:
 - The addition of a new fund in the final quarter, the QInvest JOHCM Sharia'a Fund, which offers investors access to one of the best performing global investment groups, J.O. Hambro Capital Management. The new fund will have a greater Asian and Emerging market allocation when compared with existing products.
 - Expansion into additional asset classes through the offering of a Sukuk fund, managed by a seasoned team currently based in QIB UK and offering access to one of the largest global USD Sukuk funds with one of the best performing and consistent track records.

- Approval for distribution as the first Sharia'a compliant funds via the RBC Global Fund Platform, one of the top 10 global custodian and asset servicers. Through the RBC Investor & Treasury Services' platform, investors and fund selectors from across the globe can now access OMAP funds.
- We have constructed and successfully launched a 100% Capital Protected Sharia'a compliant GCC Equity note.
- We began offering clients investments into Sharia'a compliant Qatari equities managed by the team in Doha through discretionary mandates.
 - These achieved a 24% return, which is 7% higher than the Thomson Reuters Ideal Ratings Qatar Islamic Index.
 - The initial mandates target an overall 4-5% dividend yield and a strong capital growth.
- We have built and will be managing a range of discretionary mandates, called the "Shiraa Funds" exclusively for QIB's client base.
 - Shiraa funds enable QIB's clients to benefit from QInvest's world class QMAP platform.
 - QIB started distributing the mandates in December and the funds will go live in February 2014.

 These are offered throughout QIB's network, initially focusing on its Private Banking and Tamayuz client base.

Summary

2013 was a turning point for Qlnvest. I am very proud of the changes that we have implemented across the firm. These changes have laid the foundations for Qlnvest to become the leading Islamic investment bank. We now have an institution that is built on a unique combination of permanent capital and regional execution capabilities; all supported by a world class team and unparalleled reach.

Tamim Hamad Al-Kawari
Chief Executive Officer















Tamim Al-Kawari

CHIEF EXECUTIVE

MICHAEL KATOUNAS

DEPUTY CHIEF EXECUTIVE OFFICER & HEAD OF INVESTMENT BANKING

Dr Ataf Ahmed

Head of Asset Management

CRAIG COWIE

HEAD OF PRINCIPAL INVESTMENTS

BERNARD BARBOUR

HEAD OF LEGAL, COMPLIANCE & SHARIA'A AFFAIRS BOARD SECRETARY

Duncan Walker

CHIEF OPERATING OFFICER

MANAGEMENT TEAM BIOGRAPHIES



Tamim Al-Kawari
Chief Executive Officer

Tamim Al Kawari joined QInvest from Goldman Sachs where he was a Managing Director and Country Head for Qatar. As well as his role as CEO, Mr Kawari also heads the Principle Investments team.

Prior to joining Goldman Sachs, Mr Kawari was the Chief Financial Officer for Qatargas' Transport Company, Nakilat. At Nakilat he implemented a US\$ 8 billion program to finance 27 liquefied natural gas (LNG) vessels that ship LNG from Ras Laffan to customers worldwide.

Prior to joining Nakilat, Mr Kawari served as the treasurer for the Qatargas Company. Earlier in his career he also worked as a trader at Qatar National Bank, where he traded a range of financial products.

Mr Kawari holds a BA in International Business with a minor in Political Science from George Washington University and an MBA from the American University - Washington, D.C.



Michael Katounas
Deputy Chief Executive Officer &
Head of Investment Banking

Michael Katounas joined QInvest in 2013 and has 15 years of regional and international investment banking experience, having worked in London, Dubai, Amsterdam and Greece.

Prior to joining QInvest, Mr Katounas was at Credit Suisse where he built the MENA investment banking team at Credit Suisse and led some of the largest transactions in the MENA region and Europe.

Mr Katounas holds a Master of Science from the London School of Economics and is a Chartered Financial Analyst (CFA).



Dr Ataf Ahmed Head of Asset Management

Dr Ataf Ahmed joined QInvest in 2010, having previously been a Director at UBS Wealth Management's Hedge Funds team, based in Zurich. At UBS, Dr Ataf was a senior investment specialist and was the key contact point from the investment team for all sales and marketing coverage for the group's multibillion dollar fund of funds product lines.

Prior to UBS, Dr Ataf served as an Investment Strategist at Barclays Wealth in London with responsibilities as Head of Strategic Asset Allocation for the group. Prior to that, he was managing the Performance and Risk Analytics unit for Barclays Wealth. His responsibilities at Barclays included the structural asset allocation of the multi-billion pound range of Barclays Manager of Managers funds.

Dr Ataf holds a PhD in Physics from the University of Cambridge and is also a CFA charterholder.



Craig Cowie
Head of Principal Investments

Craig joined QInvest to head up the Real Estate Investment & Advisory business from Al Rajhi Capital In Saudi Arabia, where he was Managing Director, Real Estate Advisory and Private Equity.

At Al Rajhi Capital, Craig headed up the real estate business working on private real estate transactions and advising on and arranging capital for projects worth over US\$ 4 billion. Craig led a team in securing the sole financial advisory and arranging mandate to raise US\$ 3 billion for Jabal Omar Development Company, a listed entity on the Tadawul. Craig also led the Al Rajhi Capital negotiations and subsequent implementation of a joint venture with a GCC investment bank (and subsequently was a nominated board member) for a US\$ 500m GCC focused real estate income yielding private equity fund.

Craig has focused exclusively on real estate as an asset class for some 18-years, having initially worked for a real estate development company.

He holds a Bachelor of Commerce (Honors) degree in investment management from the University of Natal in South Africa.



Bernard Barbour Head of Legal, Compliance & Sharia'a Affairs Board Secretary

Bernard Barbour joined QInvest after serving as a Senior Attaché in the Legal department of the Central Bank of Lebanon. He joined the Central Bank of Lebanon as a Legal Counsel in Financial Products and e-banking and was later promoted to Head of Financial Products and e-banking.

Mr Barbour has more than 16 years of extensive experience in financial legal systems garnered from legal regulatory exposure and an academic teaching career in financial, fiscal and contract law in the three leading universities of Lebanon. He was responsible for drafting the Islamic Finance Regulatory and Legal Framework in the Republic of Lebanon, legislative prepositions to payment systems such as credit cards debit cards, settlements, clearing E-checks, E-money and netting among others.

Mr Barbour holds a Law degree in European law from Lausanne University, Switzerland, a Law degree in International Economic Law from Geneva University, Switzerland, a B.A. in Law from the Lebanese University, and a Diploma in English Legal Methods from Cambridge University, England. Presently, Mr Barbour is a doctoral candidate at the University of Zurich researching legal aspects of financial stability-risk mitigation. He is fluent in Arabic, French and English.



Duncan Walker Chief Operating Officer

Duncan Walker joined QInvest in 2013 and is currently responsible for Finance, Human Resources, IT, Real Estate, Operations and Treasury. He has over 20 years' experience in Finance and General Management, primarily in Banking and Financial Services.

Over his career, Mr Walker has a proven ability to improve operations, impact business growth and maximize profits through financial management, cost reductions, improved controls and efficiency improvements.

Mr Walker spent 14 years with Credit Suisse, most recently 6 years as Regional CFO for the Middle East and Africa region.





Investment Banking

QInvest's Investment Banking team is the largest in the Middle East and consists of seasoned professionals providing expertise in all areas of financing and advisory activities to corporate and institutional clients both regionally and internationally. The team is a trusted advisor to leading Qatari corporates in their outbound activities and serves as a gateway for companies to access Qatar's international capital flows.

Across the region, Qlnvest's mid-market practice is complemented by the firm's relationships with family offices and ability to use its own capital.

Areas of expertise include:

- Mergers & Acquisitions
- Corporate Finance Advisory
- Equity Capital Markets
- Murabaha and Sukuk Financings
- Leveraged and Structured Finance
- Real Estate Finance
- Asset & Liability Management
- Restructuring

QInvest's Sharia'a compliant Investment Banking business continues to win accolades from across the industry. Recent awards include Qatar's Best Investment Bank at Euromoney's 2012 Awards for Excellence and the Best Sukuk Structuring House in Qatar at the London Sukuk Summit 2013.

BUSINESS LINES



Principal Investment

a- Special situations

QInvest's Principal Investments – special situation business focuses on deploying the bank's capital across a broad range of asset classes with the objective of creating value while ensuring principal protection. The team originates investment ideas by leveraging QInvest's local and global network of relationships and ensures best-in-class deal execution through a focused team of experienced investment professionals.

QInvest is sector agnostic and deploys capital across the capital structure with a primary focus on Sharia'a compliant mezzanine financings and structured transactions, which best match our risk-return profile. QInvest offers a flexible approach and can accommodate the specific needs of our clients by offering short and long term maturities, as well as cash and deferred profit payments. Our investments look to capture a recurring cash yield along with a back-ended, potentially equity linked, payout.

Examples of investments include:

- Mezzanine / HoldCo Financing
- Pre-IPOs / PIPEs / Convertibles
- Bridge Financing
- Acquisition Financing
- Last-mile / Rescue Financing



Principal Investment

b- Real estate

Working closely with both local and international clients, QInvest's Principal Investments - real estate unit provides comprehensive financial solutions for prime real estate transactions in the GCC, Europe and the USA, noting that these geographies can be amplified based on the opportunity and relationships we hold. Our multidisciplinary approach, together with an investment banking mindset enables us, our clients and co-investors to drive value for our respective shareholders. QInvest acts as both principal and arranger in the acquisition of controlling and noncontrolling interests in direct real estate with typical equity or mezzanine investments being between \$20 and \$100 million.

Qlnvest is willing to co-invest with prospective partners in residential developments in top-tier markets, together with core and value-added yielding opportunities in the office, retail and multifamily real estate sectors. We are able to invest through numerous structures generally including mezzanine, preferred equity and equity, all of which are represented in transactions closed since 2010. Average transaction life varies between 2 and 5 years, with pricing / return profiles being driven by the particulars of the transaction (including geography and sub-sector).

BUSINESS LINES



Asset Management

The QInvest Asset Management Team is led by Dr Ataf Ahmed and is composed of an impressive team, drawn from leading global institutions. The team offers a range of world class Sharia'a compliant investments and funds that are managed by best in class investment teams.

One of the key achievements of the QInvest Asset Management team is the successful build out and launch of the QInvest Managed Account Platform (QMAP), the world's first open architecture Sharia'a compliant managed account platform. QMAP is a multi-manager and multi-strategy platform which brings best in class capability from the conventional fund industry to Sharia'a investors through a range of global partnerships. It provides investors with the opportunity to select from a range of high quality Sukuk and equity funds that are managed by both in-house and top tier third party teams.

QInvest Asset Management provides expertise in portfolio structuring, as well as an active advisory service, shaped around clients' investment preferences and risk appetite. Services include:

- High quality equity and sukuk funds from QMAP
- Multi-manager, multi-strategy portfolio solutions
- Discretionary and Advisory portfolio management
- Portfolio review, analysis and investment recommendations
- Portfolio restructuring, disposal and risk overlays

In recognition of its consistent performance, QInvest's Asset Management team has received numerous awards from the industry. QInvest was named the "Best Islamic Fund Manager" at Global Finance World's Best Islamic Financial Institutions Awards, as well as receiving the "Best New Investment Product award" at The Banker Middle East Product Awards.





Sharia'a Supervisory Board

QInvest seeks to uphold Sharia'a principles throughout its activities. The Sharia'a Supervisory Board reviews the Bank's activities to ensure that all products and investment transactions comply fully with the rules and principles of Islamic Sharia'a. The Sharia'a Supervisory Board was established in accordance with AAOIFI and QFCRA directives, including those regarding membership requirements.

Members include:



 His Eminence Dr. Sheikh Walid Bin Hadi (Chairman)



 His Eminence Sheikh Dr. Abdul Sattar Abu Ghudda



 His Eminence Sheikh Nizam Yacouby

Management committees

QInvest's management team is responsible for achieving the strategic goals set by the Board of Directors. A number of management committees have been established to guide and control the operations of the Bank. These Committees include:

- Steering Committee: Its members are Senior Management of the Bank who will deliberate on the overall business and controls of the Bank; and
- Working Investment Group (WIG): WIG is a committee comprising all control functions of the Bank and it deliberates on business proposals of the Bank prior to them being tabled to the Steering Committee.

Policies and procedures

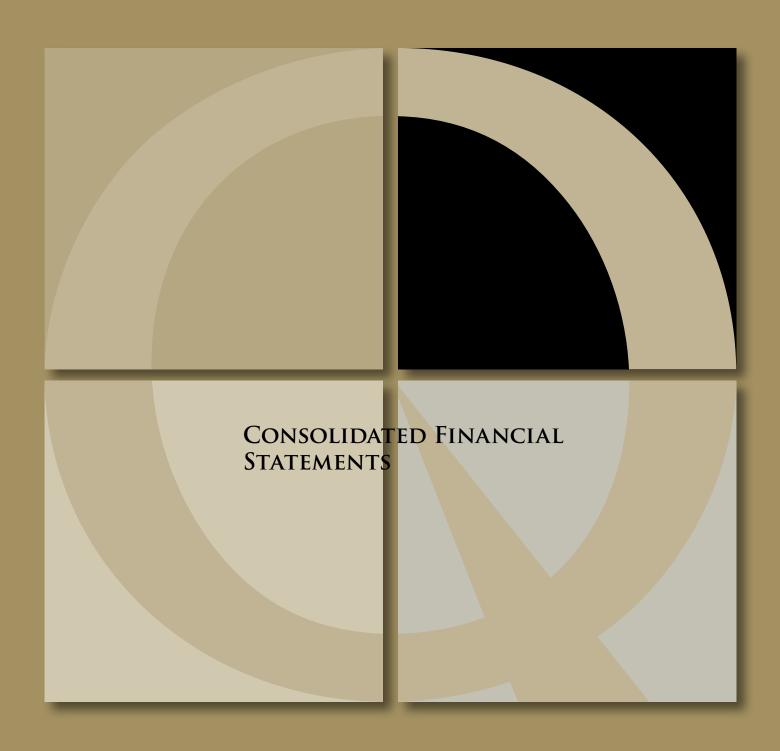
In line with best practice corporate governance, the Bank is governed by policies and procedures which are approved by the Board of Directors and/ or Board Committees. The Bank's policies and procedures are part of the Bank's internal controls in:

 determining the effectiveness and efficiency of the Bank in using its assets and other resources to achieve its business strategies and protect itself against any form of losses including financial and reputational;

- ascertaining the control functionaries' ability to prepare, on timely basis, accurate and reliable management reports and accounting statement which are critical to the Bank's various stakeholders for their decision making;
- ensuring that the Bank's business and operations comply with the applicable laws, regulations and the Bank's internal policies and procedure; and
- protecting the goodwill and reputation of the Bank as a Sharia'a-compliant investment bank by ensuring that its business and operations are conducted in line with the Sharia'a requirements.

Social Responsibility

QInvest is committed to supporting the communities in which it operates. The firm has developed a corporate social responsibility programme that includes a variety of activities, such as funding charitable, educational, social, cultural and sporting organizations and events. QInvest also sponsors conferences, seminars and other initiatives that support the growth of Sharia'a compliant financial services, locally and across the region, and further enhance the status of the State of Qatar, as the leading financial centre in the Middle East.



REPORT OF THE SHARIA'A SUPERVISORY BOARD

For the Financial Year 2013

In the Name of Allah, The Beneficient, The Merciful

To the Shareholders of QInvest LLC,

QInvest Sharia'a Supervisory Board (the "Board") has reviewed the contracts submitted to it, answered the questions of the administration, and contributed in finding solutions for practical difficulties that appeared during the implementation.

The Board views that the business conducted is in accordance with the Sharia'a Board's guidance.

The Board has reviewed the Balance Sheet and the income statements for the financial year ending 31st December 2013 and found them to be in compliance with the Islamic Sharia'a rules.

The Board insists that while the Bank is responsible for applying Sharia'a governance, its responsibility is limited to issuing fatwas and reviewing the transactions introduced to it from a Sharia'a perspective and to the extent practicable.

The Board thanks the Bank's staff and prays Allah to grant them all the success to serve the Islamic economy, and bless the shareholders' funds and dealers with the bank, and sustain everyone with faithfulness in action and word.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh,

ong

His Eminence Dr. Sheikh Walid Bin Hadi Chairman of the Sharia'a Supervisory Board

His Eminence Sheikh Dr. Abdul Sattar Abu Ghudda

Sharia'a Supervisory Board Member

His Eminence Sheikh Nizam Yacouby Sharia'a Supervisory Board Member

Doha, 6 January, 2014

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF QINVEST LLC

We have audited the accompanying consolidated financial statements of QInvest LLC ("QInvest" or the "Bank") and its subsidiaries (together referred to as the "Group") which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of income, changes in shareholders' equity, cash flows and changes in restricted investment accounts for the year then ended, and 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 Group's Board of Directors. 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 Auditing Standards for Islamic Financial Institutions issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"). 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 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, the results of its operations, its cash flows, changes in shareholders' equity and changes in restricted investment accounts for the year then ended in accordance with the Financial Accounting Standards issued by AAOIFI.

Report on other legal and regulatory matters

Furthermore, we have obtained all the information and explanations we required for the purpose of our audit and in our opinion, proper books of accounts have been kept by the Bank and the consolidated financial statements comply with the applicable provisions of the OFCRA rules.

Ernst & Young

Date: 13 February 2014

Ernst Lyoung

Doha

State of Qatar

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	2013 US\$'000	2012 US\$'000
ASSETS			
Cash and bank balances	4	35,732	44,736
Placements with banks		186,235	263,201
Financing assets		215,949	95,724
Investment securities	7	311,690	326,071
Assets of a subsidiary held for sale	8	83,278	
Investment in an associate	9	25,944	27,140
Investment properties	10	72,266	76,352
Other assets	11	54,543	85,248
TOTAL ASSETS		985,637	918,472
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	12	84,066	5,053
Financing liabilities	13	139,127	181,721
Liabilities of a subsidiary held for sale	8	1,447	-
Other liabilities	14	30,423	21,222
Total liabilities		255,063	207,996
Equity			
Share capital	15	750,000	750,000
Share premium	16	7,500	7,500
Hedging and foreign currency translation reserves	17	(15,150)	(13,134)
Investments fair value reserve	17	18,251	(727)
Accumulated losses		(30,027)	(33,163)
Total equity		730,574	710,476
TOTAL LIABILITIES AND EQUITY		985,637	918,472
Off-balance sheet items			
Restricted investment accounts		10,732	205,916

Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al Thani

Tamim Hamad Al-Kawari Chief Executive Officer

Chairman

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013



	Notes	2013 US\$'000	2012 US\$'000
Income from placements with banks		2,552	2,544
Income from financing assets		9,600	5,096
Net gain/(loss) from investment securities	19	20,206	(18,865)
Fee and commission income	20	7,063	39,994
Foreign exchange losses	21	(3,526)	(2,413)
Share of results of an associate	9	(1,985)	65
Gain on sale of a subsidiary		281	_
Net (loss)/gain from investment properties	10	(1,259)	208
Other income		4,309	
Net operating income		37,241	26,629
Staff costs	22	(21,151)	(31,434)
General and administrative expenses	23	(10,818)	(13,844)
Depreciation and amortisation	11.2,11.3	(1,675)	(1,973)
Total operating expenses		(33,644)	(47,251)
Profit/(loss) from operations		3,597	(20,622)
Finance expenses		(5,866)	(8,528)
Net impairment loss on investment securities	7.2.2	-	(15,621)
Net impairment loss on other financial assets		(233)	(10,839)
Loss before tax from continuing operations		(2,502)	(55,610)
Tax credit/(expense)	24	4,522	(1,598)
Profit/(loss) after tax from continuing operations		2,020	(57,208)
Discontinued operations			
Profit from a subsidiary held for sale	8	1,116	
PROFIT/(LOSS) FOR THE YEAR		3,136	(57,208)

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2013

	Share capital US\$'000	Share premium US\$'000	Hedging and foreign currency translation reserves US\$'000	Investments fair value reserve US\$'000	Accumulated losses US\$'000	Total equity US\$′000
As at 1 January 2013	750,000	7,500	(13,134)	(727)	(33,163)	710,476
Profit for the year	_	_	_		3,136	3,136
Foreign currency translation differences of foreign operations		_	3,834			3,834
Effective portion of changes in fair value of net investment hedges		_	(5,850)			(5,850)
Net change in fair value of fair value through equity investments		_		18,978		18,978
As at 31 December 2013	750,000	7,500	(15,150)	18,251	(30,027)	730,574
	Share capital US\$'000	Share premium US\$'000	Hedging and foreign currency translation reserves US\$'000	Investments fair value reserve US\$'000	Retained earnings (accumulated losses) US\$'000	Total equity US\$'000
As at 1 January 2012	750,000	7,500	(12,259)	(28,162)	24,045	741,124
Loss for the year	-	_	_		(57,208)	(57,208)
Foreign currency translation differences of foreign operations		_	2,257			2,257
Effective portion of changes in fair value of net investment hedges		_	(3,132)		_	(3,132)
Net change in fair value of fair value through equity investments		_	-	27,435	_	27,435
As at 31 December 2012	750,000	7,500	(13,134)	(727)	(33,163)	710,476

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013



Case Series Last From continuing operations Case Series Last Fro		Notes	2013 US\$′000	2012 US\$'000
Profit from a subsidiary held for sale 1,116 ————————————————————————————————————	OPERATING ACTIVITIES			
Loss before tax (1,386) (55,610) Adjustments to reconcile loss before tax to net cash flows: 8 1,985 114 Profit from a subsidiary held for sale (1,116) - - Net unrealised foreign exchange losses 4,269 3,149 - 1,973 Quality (Gain)/Ross on fair value through income statement' investments (2,998) 46,835 1,973 (Gain)/Ross on fair value through income statement' investments (2,998) 46,835 1,675 1,973 Net impairment loss on investment securities 233 10,839 10,839 Employees' end of service benefits – net (86) (305) 10,839 Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in other liabilities 1,533 3,599 Change in other liabilities 1,533 3,599 Net cash used in operating activities	Loss before tax from continuing operations		(2,502)	(55,610)
Adjustments to reconcile loss before tax to net cash flows: 11.985 11.4 Share of results of an associate 9 1.985 11.4 Net unrealised foreign exchange losses 4,269 3,149 Depreciation and amortization 11.2,11.3 1,675 1,973 Gainyfloss on fair value through income statement' investments 2,988 46,835 Net impairment loss on investment securities - 15,621 Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits - net (86) (305) Income tax paid (2,273) (601) Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in placements with banks (12,002) (45,000) Change in other assets (26,984 (5,993) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (45) (203) Purchase of investment securities	Profit from a subsidiary held for sale		1,116	-
Share of results of an associate 9 1,985 114 Profit from a subsidiary held for sale (1,16) - Net unrealised foreign exchange losses 4,269 3,149 Depreciation and amortization 11.2,11.3 1,675 1,973 (Gain/Noss on fair value through income statement' investments (2,998) 46,835 Net impairment loss on investment securities - 15,621 Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits – net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in placements with banks (12,001) (2,909)	Loss before tax		(1,386)	(55,610)
Profit from a subsidiary held for sale (1,116) - Net unrealised foreign exchange losses 4,269 3,149 Depreciation and amortization 11.2,11.3 1,675 1,973 (Gain)/loss on 'fair value through income statement' investments (2,998) 46,835 Net impairment loss on investment securities - 15,621 Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits – net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in financing assets (12,001) (2,999) Change in other assets 26,984 (5,993) Change in other liabilities 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING AC	Adjustments to reconcile loss before tax to net cash flows:			
Net unrealised foreign exchange losses 4,269 3,149 Depreciation and amortization 11.2,11.3 1,675 1,973 (Gain)floss on 'fair value through income statement' investments (2,998) 46,835 Net impairment loss on investment securities - 15,621 Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits - net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in placements with banks (120,011) (2,999) Change in other assets (120,021) (2,999) Change in other labilities 79,013 (46,029) Change in other labilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (45) (203) Purchase of investment securities	Share of results of an associate	9	1,985	114
Depreciation and amortization 11.2,11.3 1,675 1,973 (Gain/Noss on "fair value through income statement" investments (2,998) 46,835 Net impairment loss on investment securities - 15,621 Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits – net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in financing assets (120,022) (45,000) Change in other assets 26,984 (5,993) Change in other liabilities 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Disposal of investment securities </td <td>Profit from a subsidiary held for sale</td> <td></td> <td>(1,116)</td> <td>_</td>	Profit from a subsidiary held for sale		(1,116)	_
(Gain)/loss on 'fair value through income statement' investments (2,998) 46,835 Net impairment loss on investment securities - 15,621 Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits – net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in financing assets (120,022) (45,000) Change in other assets 26,984 (5,993) Change in other liabilities 79,013 (46,029) Change in other liabilities 15,333 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (17,179) (68,849) Purchase of investment securities (65,569) (417,877) Disposal of investment securities (81,831) - Purchase of equipment and intangible assets <	Net unrealised foreign exchange losses		4,269	3,149
Net impairment loss on investment securities 15,621 Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits – net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in placements with banks (120,225) (45,000) Change in other assets 26,984 (5,993) Change in other assets 26,984 (5,993) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (17,179) (68,849) INVESTING ACTIVITIES (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Disposal of investment securities (81,831) - Purchase of equipment and intangible assets (81,831) - <td>Depreciation and amortization</td> <td>11.2,11.3</td> <td>1,675</td> <td>1,973</td>	Depreciation and amortization	11.2,11.3	1,675	1,973
Net impairment loss on other financial assets 233 10,839 Employees' end of service benefits – net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in financing assets (120,225) (45,000) Change in other assets 26,984 (5,993) Change in other liabilities 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES Purchase of investment securities (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Disposal of investment securities (81,831) - Purchase of equipment and intangible assets (45) (203) Net cash (used in)/from investing activities (81,831) - FINANCING ACT	(Gain)/loss on 'fair value through income statement' investments		(2,998)	46,835
Employees' end of service benefits – net (86) (305) Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in placements with banks (12,001) (2,999) Change in other assets 26,984 (5,993) Change in other assets 26,984 (5,993) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (17,179) (68,849) Purchase of investment securities (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Disposal of investment securities (81,831) - Purchase of equipment and intangible assets (81,831) - Net cash (used in)/from investing activities (81,831) - Net cash (used in)/from investing activities (42,594) </td <td>Net impairment loss on investment securities</td> <td></td> <td>-</td> <td>15,621</td>	Net impairment loss on investment securities		-	15,621
Income tax paid (2,273) (601) Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in placements with banks (120,025) (45,000) Change in other assets 26,984 (5,993) Change in other assets 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (17,179) (68,849) INVESTING ACTIVITIES (65,569) (417,877) Purchase of investment securities (65,569) (417,877) Disposal of investment securities (45) (203) Net investment in subsidiary held for sale (45) (203) Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 <td>Net impairment loss on other financial assets</td> <td></td> <td>233</td> <td>10,839</td>	Net impairment loss on other financial assets		233	10,839
Net loss from fair value adjustment of investment properties 10 7,214 5,558 Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in placements with banks (120,025) (45,000) Change in financing assets 26,984 (5,993) Change in other assets 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES Value of investment securities (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Disposal of investment securities (45) (203) Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) - Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY Vert movement in financing liabilities (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (Employees' end of service benefits – net		(86)	(305)
Net operating profit before changes in operating assets and liabilities 7,517 27,573 Change in placements with banks (12,001) (2,999) Change in financing assets (120,225) (45,000) Change in other assets 26,984 (5,993) Change in due to banks 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES Value of the contractive of investment securities (65,569) (417,877) Disposal of investment securities (45) (203) Purchase of equipment and intangible assets (45) (203) Net cash (used in)/from investing activities (81,831) - Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY Vet movement in financing liabilities (42,594) 1,289 Net (ash (used in)/from financing activity (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 <	Income tax paid		(2,273)	(601)
Change in placements with banks (12,001) (2,999) Change in financing assets (120,225) (45,000) Change in other assets 26,984 (5,993) Change in due to banks 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES (17,179) (68,849) Purchase of investment securities (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY Vet movement in financing liabilities (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 203,076	Net loss from fair value adjustment of investment properties	10	7,214	5,558
Change in financing assets (120,225) (45,000) Change in other assets 26,984 (5,993) Change in due to banks 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES VINVESTING ACTIVITIES (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) - Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 Net cash (used in)/from financing activity (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 203,076	Net operating profit before changes in operating assets and liabilities		7,517	27,573
Change in financing assets (120,225) (45,000) Change in other assets 26,984 (5,993) Change in due to banks 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES VINVESTING ACTIVITIES (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) - Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 Net cash (used in)/from financing activity (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 203,076				
Change in other assets 26,984 (5,993) Change in due to banks 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES *** *** Purchase of investment securities (65,569) (417,877) Disposal of investment securities (65,569) (417,877) Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) - Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY *** (42,594) 1,289 Net cash (used in)/from financing liabilities (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 203,076	Change in placements with banks		(12,001)	(2,999)
Change in due to banks 79,013 (46,029) Change in other liabilities 1,533 3,599 Net cash used in operating activities (17,179) (68,849) INVESTING ACTIVITIES Purchase of investment securities (65,569) (417,877) Disposal of investment securities 109,247 587,502 Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) - Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY Net movement in financing liabilities (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 203,076	Change in financing assets		(120,225)	(45,000)
Change in other liabilities1,5333,599Net cash used in operating activities(17,179)(68,849)INVESTING ACTIVITIESUse of investment securities(65,569)(417,877)Purchase of investment securities109,247587,502Purchase of equipment and intangible assets(45)(203)Net investment in subsidiary held for sale(81,831)-Net cash (used in)/from investing activities(38,198)169,422FINANCING ACTIVITYVet movement in financing liabilities(42,594)1,289Net cash (used in)/from financing activity(42,594)1,289Net (decrease)/increase in cash and cash equivalents(97,971)101,862Cash and cash equivalents at 1 January304,938203,076	Change in other assets		26,984	(5,993)
Net cash used in operating activities (68,849) INVESTING ACTIVITIES Purchase of investment securities (65,569) (417,877) Disposal of investment securities 109,247 587,502 Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) - Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY Net movement in financing liabilities (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 203,076	Change in due to banks		79,013	(46,029)
INVESTING ACTIVITIES Purchase of investment securities (65,569) (417,877) Disposal of investment securities 109,247 587,502 Purchase of equipment and intangible assets (45) (203) Net investment in subsidiary held for sale (81,831) (81,831) Net cash (used in)/from investing activities (38,198) 169,422 FINANCING ACTIVITY Net movement in financing liabilities (42,594) 1,289 Net cash (used in)/from financing activity (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (97,971) 101,862 Cash and cash equivalents at 1 January 304,938 203,076	Change in other liabilities		1,533	3,599
Purchase of investment securities(65,569)(417,877)Disposal of investment securities109,247587,502Purchase of equipment and intangible assets(45)(203)Net investment in subsidiary held for sale(81,831)-Net cash (used in)/from investing activities(38,198)169,422FINANCING ACTIVITYValue of the movement in financing liabilities(42,594)1,289Net cash (used in)/from financing activity(42,594)1,289Net (decrease)/increase in cash and cash equivalents(97,971)101,862Cash and cash equivalents at 1 January304,938203,076	Net cash used in operating activities		(17,179)	(68,849)
Purchase of investment securities(65,569)(417,877)Disposal of investment securities109,247587,502Purchase of equipment and intangible assets(45)(203)Net investment in subsidiary held for sale(81,831)-Net cash (used in)/from investing activities(38,198)169,422FINANCING ACTIVITYValue of the movement in financing liabilities(42,594)1,289Net cash (used in)/from financing activity(42,594)1,289Net (decrease)/increase in cash and cash equivalents(97,971)101,862Cash and cash equivalents at 1 January304,938203,076				
Disposal of investment securities Purchase of equipment and intangible assets Net investment in subsidiary held for sale Net cash (used in)/from investing activities FINANCING ACTIVITY Net movement in financing liabilities Net cash (used in)/from financing activity Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at 1 January 109,247 587,502 (42) (81,831) - (81,831) - (82,594) 169,422 101,289 101,862 102,594) 101,862 103,076				
Purchase of equipment and intangible assets Net investment in subsidiary held for sale Net cash (used in)/from investing activities FINANCING ACTIVITY Net movement in financing liabilities Net cash (used in)/from financing activity Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at 1 January (45) (81,831) - (81,831) - (81,831) - (82,542) (42,594) 1,289 (42,594) 1,289 (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents (97,971) 101,862	Purchase of investment securities		(65,569)	(417,877)
Net investment in subsidiary held for sale Net cash (used in)/from investing activities FINANCING ACTIVITY Net movement in financing liabilities Net cash (used in)/from financing activity Net cash (used in)/from financing activity Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at 1 January (81,831) - (81,831) - (97,972) 101,882	·		109,247	587,502
Net cash (used in)/from investing activities FINANCING ACTIVITY Net movement in financing liabilities Net cash (used in)/from financing activity Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at 1 January 169,422 (42,594) 1,289 Net (decrease)/increase in cash and cash equivalents 304,938 203,076	- · · · · · · · · · · · · · · · · · · ·			(203)
FINANCING ACTIVITY Net movement in financing liabilities Net cash (used in)/from financing activity 1,289 Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at 1 January 101,862 203,076	<u> </u>			
Net movement in financing liabilities(42,594)1,289Net cash (used in)/from financing activity(42,594)1,289Net (decrease)/increase in cash and cash equivalents(97,971)101,862Cash and cash equivalents at 1 January304,938203,076	Net cash (used in)/from investing activities		(38,198)	169,422
Net cash (used in)/from financing activity(42,594)1,289Net (decrease)/increase in cash and cash equivalents(97,971)101,862Cash and cash equivalents at 1 January304,938203,076	FINANCING ACTIVITY			
Net (decrease)/increase in cash and cash equivalents Cash and cash equivalents at 1 January 101,862 304,938 203,076	Net movement in financing liabilities		(42,594)	1,289
Cash and cash equivalents at 1 January 304,938 203,076	Net cash (used in)/from financing activity		(42,594)	1,289
Cash and cash equivalents at 1 January 304,938 203,076	Net (decrease)/increase in cash and cash equivalents		(97,971)	101,862
CASH AND CASH EQUIVALENTS AT 31 DECEMBER 4.1 206,967 304,938	•			
	CASH AND CASH EQUIVALENTS AT 31 DECEMBER	4.1	206,967	304,938

The accompanying notes 1 to 34 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENT ACCOUNTS

For the year ended 31 December 2013

			Movements during the year					
	· · · · · · · · · · · · · · · · · · ·	Investment (repayment) US\$'000	Revaluation US\$'000	Realized income US\$'000	Dividend paid US\$′000	Administration expenses US\$'000	Agency fees US\$'000	Balance at 31 December 2013 US\$'000
Restricted Wakala	205,916	(194,332)	1,029	(1,718)		(78)	(85)	10,732
	Dalan as at			Dalan as at				
	Balance at 1 January 2012 US\$'000	Investment US\$'000	Revaluation US\$'000	Realized income US\$'000	Dividend paid US\$'000	Administration expenses US\$'000	Agency fees US\$'000	Balance at 31 December 2012 US\$'000
Restricted Wakala	77,067	136,427	1,573	13,165	(13,887)	(1,935)	(6,494)	205,916

1 CORPORATE INFORMATION

QInvest LLC ("QInvest" or "the Bank") is an Islamic investment bank, which has been established as a limited liability company in the Qatar Financial Centre. The Bank was authorised by the Qatar Financial Centre Regulatory Authority ("QFCRA") on 30 April 2007 as a category 1 firm, under approval number 00048. Its registered office is at 39th Floor, Tornado Tower, Street No.213, Majlis Al Tawoon Street, Zone 60, West Bay, Doha, State of Qatar.

The Bank's activities are regulated by the QFCRA and are supervised by a Sharia'a Supervisory Board whose role is defined by the Bank.

The consolidated financial statements of the Group and for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 13 February 2014.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Bank and its subsidiaries (together known as "the Group") for the year ended 31 December 2013 have been prepared in accordance with the Financial Accounting Standards ("FAS") issued by the Accounting and Auditing Organisation for Islamic Financial Institutions ("AAOIFI"), the Islamic Shari'a Rules and Principles as determined by the Shari'a Supervisory Board of the Group and the applicable provisions of the QFCRA rules. In accordance with the requirement of AAOIFI, for matters where AAOIFI does not have an accounting standard or guidance, the Bank seeks guidance from the International Financial Reporting Standards (the "IFRSs").

2.2 Accounting convention

The consolidated financial statements have been prepared under the historical cost convention except for financial investments classified as "investments at fair value through equity", "investments at fair value through statement of income", derivative financial instruments, and investment in properties held for trading and leasing that have been measured at fair value.

2.3 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following:

New standards issued by AAOIFI

During 2012, AAOIFI issued new Financial Accounting Standard (FAS 26) "investment in real estate", which is effective as of 1 January 2013.

This standard does not impact the annual consolidated financial statements of the Group.

IASB Standards and Interpretations

In addition, the following new standards and amendments have been issued by International Accounting Standards Board ("IASB") and are effective for the financial year ending 31 December 2013 which do not have any material impact on the Group, but require extensive additional disclosures:

Standard/Interpretation	Content
IAS 1	Presentation of Financial Statements (Amendment)
IAS 19	Employee Benefits (Revised)
IAS 27	Separate Financial Statements (revised)
IAS 28	Investment in Associates and Joint Ventures (revised)
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement

At 31 December 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as of the Bank, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group fully or partially disposes the subsidiary entity, the difference between the carrying amount of the investment in that entity as at the disposal date, and the disposal proceeds, is recognised in the Group's consolidated income statement. Furthermore, the corresponding goodwill is derecognised proportionately from Group's consolidated financial statements. Group will continue to consolidate the income and expenses of subsidiary until the date of cessation of control by the parent. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in the income statement
- Reclassifies the parent's share of components previously recognised in equity to the income statement

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

The following entities are consolidated in the Group's consolidated financial statements as at 31 December 2013:

Name	Principal Business Activity	Country of Incorporation	Effective Percentage of Equity
Q West S.A.S.	Equity Investments	France	100%
Verdi Luxembourg SARL	Investment in real estate	Luxembourg	100%
Q Business Services	Investment holding company	Cayman Islands	100%
Q Liquidity Limited	Placements	Cayman Islands	100%
QInvest Holding Mauritius	Investment holding company	Mauritius	100%
Q Exhibit	Investment holding company	Mauritius	100%
Inner Mauritius Investments Ltd	Investment holding company	Mauritius	100%
Q Learn	Investment holding company	Mauritius	100%
QInvest Luxembourg SARL	Investments	Luxembourg	100%
QInvest Partners LLC	Investment holding company	Qatar (QFC)	100%
Q Equity	Equity Investments	Cayman Islands	100%
Q Green	Investment holding company	Cayman Islands	100%
Q Invest Saudi Arabia	Investment holding company	Saudi Arabia	100%
Q Saudi Alpha	Investment holding company	Cayman Islands	100%
Q Saudi Beta	Investment holding company	Cayman Islands	100%
Q Saudi Gamma	Investment holding company	Cayman Islands	100%
Fleet Street Financing 1 Limited	Investment holding company	Cayman Islands	100%
QI St Edmund's Terrace 2 Limited	Investment holding company	Cayman Islands	100%
St. Edmund's Terrace GP Limited	Investment holding company	Cayman Islands	100%
SET Investment Management Limited	Investment holding company	Cayman Islands	100%
Asian Finance Initiative Corp	To provide Murabaha facility to a client	Cayman Islands	100%
Q Land Real Estate SPC*	Real estate investments	State of Qatar	0%

^{*} Management judgement on consolidation of structured entity and classification of subsidiary held for sale are disclosed in Note 29 to the consolidated financial statement.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in consolidated income statement or as a change in the equity. If the contingent consideration is classified as equity, it will not be remeasured.

At 31 December 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated income statement

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained

2.5 Summary of significant accounting policies

Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

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

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Intangible assets identified upon acquisition of associates are included at fair value and amortised over the useful life of the intangible assets.

The consolidated income statement reflects the Group's share of the results of operations of the associate or joint venture. When there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Group's share of profit or loss of an associate is shown on the face of the consolidated income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Investment in associates and joint ventures (continued)

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognises the loss as 'Share of losses of an associate and joint venture' in the consolidated income statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Functional and presentational currency

The consolidated financial statements are presented in Unites States Dollars, which is the presentational currency of the Group. 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.

The official currency of the State of Qatar, the Group's country of domicile, is the Qatar Riyal. Certain domestic transactions are conducted in Qatari Riyals, which is pegged to the United States Dollar. The Bank maintains its financial records and prepares its financial statements in United States Dollars as the Bank's share capital and majority of its investments are denominated in United States Dollars.

Transactions and balances

Transactions in foreign currencies are translated into Unites States Dollars at the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the consolidated income statement. Translation differences on the Bank's net investment in foreign subsidiaries, associates and jointly controlled entities are included in the foreign currency translation reserve within equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial recognition. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined and any differences are taken to consolidated statement of changes in shareholders' equity under "Investments fair value reserve"

Group companies

The results and financial position of all the Group's subsidiaries (none of which has the currency of a hyper-inflationary economy) are translated into the presentational currency of the Group as follows:

- I. assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- II. income and expenses for each statement of income 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 rate on the dates of the transactions); and

At 31 December 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Group companies (continued)

III. all resulting exchange differences are recognised as a separate component in the consolidated statement of changes in shareholders' equity under "Foreign currency translation reserve"

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to consolidated statement of changes in shareholders' equity within the "Investments translation reserve". When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Revenue recognition

Income from short-term placements and sukuk investments

Income from short-term placements and sukuk investments is recognized on a time-apportioned basis over the period of the contract using the effective profit rate method. The effective profit rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of a financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective profit rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Fee and commission income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Fees and commission arising from negotiating or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses are recognized on completion of the underlying transaction. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Placement fees

Placement fees for arranging a financing between a borrower and investor are recognized as income when the financing has been arranged (being the performance of the significant act in relation to this category of revenue).

Dividends

Dividends are recognized when the right to receive payments is established.

Income from investments

Income from investments is recognized when earned.

Rental income

Rental income is accounted for on a straight-line basis over the ljarah terms.

Sale of completed property

A property is regarded as sold when the significant risks and returns have been transferred to the buyer, which is normally on unconditional exchange of contracts. For conditional exchanges, sales are recognised only when all the significant conditions are satisfied.

Ijarah and ijarah muntahia bittamleek

Revenue is recognised on a time-apportionment basis over the lease term.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Financial investments

Financial investments comprise of investments at fair value through income statement, investments carried at amortised cost and investments at fair value through equity. All investments excluding investment carried at fair value through income statement are initially recognized at cost, being the fair value of the consideration given including transactions costs associated with the investment.

Investments carried at amortised cost

Investments which have fixed or determinable payments that the Group manages on a contractual yields bases are classified as "investments carried at amortised cost". Such investments are initially recognised and subsequently carried at cost, less impairment in value. Any gain or loss on such investment is recognised in the consolidated income statement, when the investment is derecognised or impaired.

Investments at fair value through income statement

Investment securities carried as fair value through income statement includes investments held for trading purposes and investments designated as fair value through income statement. These are initially recognised at cost, being the fair value of the consideration given and are subsequently re-measured at fair value. All related realised and unrealised gains or losses are reported in the consolidated income statement.

Investment at fair value through equity

These are initially recognised at cost, being the fair value of the consideration given and transaction costs. After initial recognition, investments that are classified as "investment at fair value through equity" are re-measured at fair value on individual basis. Unrealised gains or losses arising from a change in the fair value are recognised in the fair value reserve, until it is sold, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated statement of income.

Risk management instruments

Derivatives, which are primarily used as hedging tools, are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently measured at their fair value.

The Group documents at its inception of the transaction, the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group uses Sharia'a compliant forward foreign exchange contracts as a hedge of its exposure to foreign exchange risk on its net investments in foreign subsidiaries, associates and jointly controlled entities as well as a hedge of its exposure to changes in foreign exchange risks related to certain foreign currency denominated short-term receivables as fair value hedges.

Gains or losses on the hedging instruments relating to the effective portion of the net investment hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the consolidated income statement.

The gains and losses on fair value hedged items and related hedging instruments are recognized in consolidated income statement.

Certain derivative instruments do not qualify for hedge accounting and changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the consolidated income statement.

At 31 December 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Fair value measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 33.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's Steering Committee ("STC") determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted investments at fair value through equity, and for non-recurring measurement, such as assets held for distribution in discontinued operation. The Steering Committee ("STC") comprises of the head of the risk management department, chief finance officer and the senior management.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Fair value measurement (continued)

Fair value is determined for each investment individually in accordance with the valuation policies as set out below;

- i) For quoted investments, the fair value is determined by reference to quoted market bid prices at close of business on the reporting date.
- ii) For unquoted investments, the fair value is determined by reference to recent significant buy or sells transactions with third parties that are either completed or are in progress. Where no recent significant transactions have been completed or are in progress, fair value is determined by reference to the current market value of similar investments. For others, the fair value is based on the net present value of estimated future cash flows, or other relevant valuation method.
- iii) For investments that have fixed or determinable cash flows, fair value is based on the net present value of estimated future cash flows determined by the Group using current profit rates for investments with similar terms and risk characteristics.
- iv) Investments which cannot be measured to fair value using any of the above techniques are carried at cost less impairment.

Date of recognition of financial transactions

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Investment in properties and other assets held for leasing and trading

Investments in properties and other assets acquired for leasing and trading are carried at fair value in the consolidated statement of financial position. Gains or losses on sale of these investments are recognised upon sale. The current market values of all the properties are determined based on valuation performed by independent and qualified valuer.

Financing assets

Murabaha and Musawama

Murabaha and Musawama receivables are stated net of unearned profit, any amounts written off and provision for doubtful debts, if any.

Murabaha and Musawama receivables are sales on deferred terms. The Group arranges a murabaha transaction by buying a commodity (which represents the object of the murabaha) and then resells this commodity to Murabeh (beneficiary) after computing a margin of profit over cost. The sale price (cost plus the profit margin) is repaid in installments by the Murabeh over the agreed period.

Investment in ijarah muntahia bittamleek and ijarah assets

These are initially recorded at cost including initial direct costs. Ijarah muntahia bittamleek is a lease whereby the legal title of the leased asset passes to the lessee at the end of the ijarah (lease term), provided that all ijarah installments are settled.

Depreciation is calculated using the straight-line method on all Ijarah Muntahia Bittamleek other than land (which is deemed to have indefinite life), at rates calculated to write off the cost of each asset over its lease term.

For Ijarah assets, the depreciation is calculated using the straight-line method, at rates calculated to write off the cost of the assets over its estimated useful life.

ljarah receivable represent outstanding rentals at the end of the year net of provision for doubtful debts, if any.

At 31 December 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Equipment

Equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

Furniture and fittings	10
Computer equipments	3-5
Office equipment	5
Vehicles	5

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated income statement in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category consistent with the nature of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life from indefinite to finite is made on a prospective basis.

A summary of the useful lives and amortisation methods of Group's intangible assets other than goodwill are as follows:

	Software	Trade names and licenses	Brand name
Useful lives :	Finite	Finite	Finite
	(3 - 5 years)	(10 years)	(50 years)
Amortization method used:	Amortized on a straight line basis over the periods of availability	Amortized on a straight line basis over the periods of availability	Amortized on a straight line basis over the periods of availability
Internally generated or acquired:	Acquired	Acquired	Acquired



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment

Investment securities and other financial assets

Investment securities and other financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective profit rate. Impairment losses on Islamic financing assets and investments in sukuk are measured as the difference between the carrying amount of the financial asset and the present value of estimated cash flows discounted at the assets' original effective profit rate.

Losses, if any, are recognized in the consolidated income statement and reflected in an allowance account created for this purpose. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the consolidated income statement.

The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or it becomes probable that that the investee will enter bankruptcy or other financial reorganization.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount.

At 31 December 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Impairment (continued)

Impairment of non-financial assets (continued)

A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Non-current assets held for sale

Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets on pro-rata basis. Impairment losses on an asset's initial classification as 'held for sale' and subsequent gains or losses on re-measurement are recognized in the consolidated income statement. Gains are not recognized in excess of any cumulative impairment loss.

Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of income except to the extent that it relates to items recognised directly in equity, in such case, it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years as per tax laws prevalent in the country of incorporation of subsidiaries of the Group.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The applicable tax law for the Bank is the QFC tax law applicable from 1 January 2010. Tax is levied at the rate of 10% on local source taxable income.

Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i) the rights to receive cash flows from the asset have expired;
- ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

Employees' end of service benefits and pension fund

The Bank provides end of service benefits determined in accordance with its regulations and the QFC Employment Regulations, based on employees' salaries and the number of years of service at the reporting date. The Bank also contributes to the GCC national employees' pension accounts with the different GCC Pension Authorities. Pension funds are held and managed by the appropriate Pension Authority. The scheme is mandatory by the state pension law for employees who are GCC nationals. The percentage of employee and employer contribution varies as per the relevant GCC pension laws and the employees receive this money after retirement. This process is governed by the GCC pension laws and administrated by the General Retirement and Social Insurance Authority in Qatar. This is a defined contribution plan as the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service conditions at the vesting date. The fair value of the share awards has been determined using a Monte Carlo simulation model to take into account the market-based performance condition. This is an appropriate model to value a share award where vesting is dependent on the achievement of a share price target.

Measurement inputs include share price at grant date, exercise price of the share award, expected volatility of share price, expected life (in years) of the share award, expected dividend yield, and the risk-free profit rate. Service conditions attached to the transactions are not taken into account in determining fair value.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other provisions

Provisions for legal claims are recognised when the Group has legal claims or obligations as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

The Group accounts for provisions to be charged to the consolidated income statement for any potential claim or for any expected impairment of assets, taking into consideration the value of the potential claim or expected impairment and its likelihood.

At 31 December 2013

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

Investment fund portfolios

Investment fund portfolios represent funds belonging to the Group's customers for which the Group has assumed investment management responsibility in accordance with the terms or conditions of the fund. Such funds are invested on behalf of the customers by the Group who acts as an agent or a trustee and accordingly such funds and the attributable investment income or loss are not included in these consolidated financial statements and are directly paid to the customers after deduction of the Group's stated share of profit or commission.

Equity of restricted investment account holders

Equity of restricted investment accountholder balances are those where the depositors instruct the Group to invest the funds in specific investments or at predetermined terms. These funds are invested by the Group in its own name under the terms of a specific Wakala/ Mudaraba contract entered into with the customer. The assets funded by these funds are managed in a fiduciary capacity by the Group for which the Group earns Wakail/Mudarib fee are not included in the consolidated statement of financial position since the Group does not have the right to use or dispose these assets except within the conditions laid down in the Wakala/Mudaraba contract.

Assets held for sale

Assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset.

Assets (or disposal groups) classified as held for sale are stated at the lower of carrying amount and fair value less costs to sell.

All the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements. If the criteria for held for sale is no longer met, the Group shall cease to classify the asset (or disposal group) as held for sale and shall measure the asset at the lower of its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

Wakala payables

The Group accepts deposits from customers under Wakala arrangement under which return payable to customers is agreed in the Wakala agreement. There is no restriction on the Group for the use of funds received under Wakala agreements. Wakala payables are carried at cost.

Cash and cash equivalent

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and due from banks, financial and other institutions which have original maturity of less than three months.

Zakah

The responsibility of payment of Zakah is on individual shareholders of the Bank. QInvest Saudi Arabia (100% owned subsidiary of the Bank), has the obligation to calculate and pay Zakah based on the local rules applicable in the Kingdom of Saudi Arabia on annual basis.

Shari'a Supervisory Board

The Group's activities are subject to the supervision of a Shari'a Supervisory Board consisting of three members appointed by the general assembly of shareholders.

At 31 December 2013



2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Summary of significant accounting policies (continued)

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 including Shari'a studies and researches.

Offsetting

Financial assets and financial liabilities should not be offset unless there is an enforceable or legal right to set off the recognised amounts and when the Group intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

The Group is party to a number of arrangements, including master netting agreements, which give it the right to offset financial assets and financial liabilities but where it does not intend to settle the amounts on net basis, the respective assets and liabilities are presented on a gross basis.

Derivative financial instruments

The Group enters into certain Islamic derivative financial instruments to manage the exposure to foreign exchange rate risks including unilateral promise to buy/sell currencies, profit rate risk and equity price risk. Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

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 provision for impairment.

3 BUSINESS COMBINATION AND GOODWILL

Acquisition and disposal of EFG-Hermes Qatar LLC

On 1 January 2013, QInvest acquired 60% of the voting shares of EFG-Hermes Qatar LLC by way of a share subscription. EFG-Hermes Qatar LLC was authorised by the Qatar Financial Centre Authority in December 2007 and is authorised by the Qatar Financial Centre Regulatory Authority on December 2012. The Group has acquired EFG-Hermes Qatar LLC pursuant to the agreement between EFG-Hermes and QInvest to facilitate the acquisition of EFG-Hermes entities, as fully explained in Note 25 to these financial statements. The acquisition was accounted for using the acquisition method. The acquired net asset amounted to US\$ 9,124 thousand based on the carrying amount of net assets as at the date of acquisition. The cost of acquisition amounted to US\$ 8,250 thousand with a resultant provisional goodwill of US\$ 2,775 thousand and non-controlling interest of US\$ 3,649 thousand. The net cash inflow on acquisition, net of cash acquired with the subsidiary of US\$ 8,747 thousand, amounted to US\$ 497 thousands.

The transaction lapsed on 10 May 2013, since QInvest and EFG Hermes did not receive the final regulatory approvals as per the agreement terms. The initial consideration paid amounting to US\$ 8,250 thousand was repaid by EFG-Hermes Qatar LLC in May 2013. From the acquisition date; EFG-Hermes Qatar LLC contributed a net loss of US\$ 281 thousands to the Group's results. Identifiable assets acquired and liabilities assumed of EFG-Hermes Qatar LLC as at the date of acquisition were derecognised and a profit of US\$ 281 thousand was recorded upon disposal.

At 31 December 2013

4 CASH AND BANK BALANCES

4	CASH AND DANK DALANCES		
		2013 US\$'000	2012 US\$'000
	Cash in hand	2	3
	Balances with banks	35,730	44,733
		35,732	44,736
	Balances with banks are profit bearing. Balances with banks have no lien or restrictions placed on them.		
4.1	Cash and cash equivalents		
		2013 US\$'000	2012 US\$'000
	Cash and bank balances	35,732	44,736
	Short-term placements (original maturity of less than three months)	171,235	260,202
	Cash and cash equivalents	206,967	304,938
5	PLACEMENTS WITH BANKS		
		2013 US\$'000	2012 US\$'000
	Wakala placements with banks	174,835	189,868
	Commodity murabha receivables	11,400	73,333
		186,235	263,201
6	FINANCING ASSETS		
a)	By type:		
		2013 US\$'000	2012 US\$'000
	Murabaha	169,555	95,724
	ljarah financing	46,394	_
		215,949	95,724

All financing assets were performing and no impairment provision has been made.





6 FINANCING ASSETS (continued)

b) By industry:

2013	Murabaha US\$'000	ljarah financing US\$'000	Total US\$'000
Hotel	50,000	-	50,000
Media	30,375	-	30,375
Oil and gas	-	-	_
Financial institutions	15,034	-	15,034
Real estate	26,422	46,394	72,816
Others	47,724	-	47,724
	169,555	46,394	215,949
2012	Murabaha US\$'000	ljarah financing US\$'000	Total US\$'000
Hotel	20,000		20,000
Media	40,500	-	40,500
Oil and gas	15,000	-	15,000
Financial institutions	10,000	-	10,000
Real estate	<u> </u>	-	-
Others	10,224	-	10,224
	95,724	-	95,724
INVESTMENT SECURITIES			
	Notes	2013 US\$'000	2012 US\$'000
Fair value through income statement	7.1	153,311	176,078
Fair value through equity investments	7.2	102,856	101,212
Debts-type investments carried at amortised cost	7.3	55,523	48,781
		311,690	326,071

Notes:

7

- (i) The ratings of debt instruments are given in Note 32 to the consolidated financial statements. The fair value of debt-type investments carried at amortised cost as at 31 December 2013 is US\$ 51.57 million (31 December 2012: US\$ 48.18 million).
- (ii) The fair value hierarchy of investment securities is disclosed in Note 33 to the consolidated financial statements.
- (iii) The lien on investment securities is disclosed in Note 13 to the consolidated financial statements.

At 31 December 2013

7 **INVESTMENT SECURITIES** (continued)

7.1 Fair value through income statement

		2013			2012	
	Quoted US\$'000	Unquoted US\$'000	Total US\$'000	Quoted US\$'000	Unquoted US\$'000	Total US\$'000
Equity-type investments		138,006	138,006		164,583	164,583
Debt-type investments						
- Fixed profit rate	15,305	-	15,305	11,495	-	11,495
	15,305	138,006	153,311	11,495	164,583	176,078

7.1.1 The equity-type investments include investments in private equities investments and sharia'a funds as follows:

2013	2012
US\$'000	US\$'000
Ambit Corporate Finance Private Ltd 26,286	29,562
Ambit QInvest India Fund	20,266
FIITJEE Ltd 5,823	6,549
Intercat (2012: Intercat and Butlers) 17,634	22,216
Al Nakheel Agriculture & Trading Company WLL and AG Middle East LLC 12,959	12,959
St Edmund's Terrace LP 34,305	42,855
QInvest Allocator Sharia'a Fund 22,084	14,993
QInvest Eagle Sharia'a Fund 6,292	5,072
QInvest Gam Sharia'a Fund 6,516	5,131
QInvest Edgewood Sharia'a Fund 6,107	4,980
138,006	164,583

Notes:

- (i) QInvest investment in Sharia'a Funds are managed and their performance evaluated on a fair value basis, in accordance with the investment strategy of the Bank.
- (ii) There are no significant restrictions (for example resulting from borrowing arrangements or regulatory requirements) on the ability of the above mentioned investments to transfer funds to the Bank in the form of cash dividends, or repayment of loans or advances.
- (iii) Investment in St Edmund's Terrace LP (the Fund) is recorded at cost since there are no other reliable measures to the fair value.
- (iv) During 2013, the investment in Butlers was disposed off at cost amounted to US\$ 4.5 million.

At 31 December 2013



2012

7 INVESTMENT SECURITIES (continued)

7.2 Fair value through equity investments

		2013			2012	
	Quoted US\$'000	Unquoted US\$'000	Total US\$'000	Quoted US\$'000	Unquoted US\$'000	Total US\$'000
Mutual funds		30,158	30,158		30,387	30,387
Equity instruments	130,821	10,549	141,370	149,569	5,549	155,118
	130,821	40,707	171,528	149,569	35,936	185,505
Less: provision for impairment	(43,672)	(25,000)	(68,672)	(59,293)	(25,000)	(84,293)
	87,149	15,707	102,856	90,276	10,936	101,212

Notes:

- (i) During 2010, unquoted mutual fund investment amounted to US\$ 25 million was impaired based on the results of the decision of the US Bankruptcy Court.
- (ii) All unquoted fair value through equity investments are recorded at cost since their fair values cannot be reliably estimated. There are no active markets for these investments and the Group intends to hold them for the long term.

7.2.1 Investment in equity instruments - Quoted

	2013 US\$'000	2012 US\$'000
As at 1 January	149,569	263,247
Purchases/transfers during the year	-	305,500
Disposals/transfers during the year	(33,906)	(447,743)
Fair value changes during the year	15,158	28,565
	130,821	149,569

7.2.2 The movement in impairment of equity-type instruments carried at fair value through equity as follows:

	US\$'000	US\$'000
As at 1 January	84,293	68,672
Charge during the year	-	15,621
Recycling to income upon disposal	(15,621)	-
	68,672	84,293

At 31 December 2013

7 INVESTMENT SECURITIES (continued)

7.2 Fair value through equity investments (continued)

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

43 10110443.		2013			2012	
-	Positive fair value US\$'000	Negative fair value US\$'000	Total US\$'000	Positive fair value US\$'000	Negative fair value US\$'000	Total US\$'000
Balance at 1 January	1,260	(1,987)	(727)	107	(28,269)	(28,162)
Net change in fair value	17,219	(121)	17,098	1,153	10,661	11,814
Transferred to consolidated income statement	-	1,880	1,880	-	15,621	15,621
	18,479	(228)	18,251	1,260	(1,987)	(727)

2013

2012

7.3 Debt-type investments carried at amortised cost

	US\$'000	US\$'000
Sukuk – unquoted		
Fixed profit rate	52,080	30,882
Floating profit rate	3,443	17,899
	55,523	48,781

8 SUBSIDIARY CLASSIFIED AS HELD FOR SALE

8.1 Verdi SA

The Group had classified all the assets and liabilities of its 100% owned subsidiary "Verdi SA", a limited liability company incorporated under the laws of Luxembourg, as held for sale since 2008. The Group's subsidiary 'Verdi SA' owns investment properties located in France. The assets, of this subsidiary, predominantly comprising of investment properties, had been classified as "held for sale" and was carried at the fair value less costs to sell in the consolidated financial statements of the Group from 2008 till 2012.

Management is of the view that factors outside their control had delayed the sale of these assets since the initial declaration of management's intention to sell these assets was made.

As at 31 December 2013, since the criteria for held for sale is no longer met, the Group cease to classify the asset and liabilities of "Verdi SA" as held for sale and measure the assets at the lower of its carrying amount before the assets were classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized had the assets not been classified as held for sale and its recoverable amount at the date of subsequent decision not to sell.

The reclassification impact is disclosed in Note 34 to the consolidated financial statements.

At 31 December 2013



8 SUBSIDIARY CLASSIFIED AS HELD FOR SALE (continued)

8.2 Q Land Real Estate SPC

At 31 December 2013, Q Land Real Estate SPC, a third party owned subsidiary was consolidated and classified as held for sale based on the management judgements on consolidation of structured entity and classification of subsidiary held for sale as disclosed in Note 29 to the consolidated financial statement.

The total assets, liabilities and net result of Q Land Real Estate SPC, classified as a subsidiary held for sale as at 31 December are, as follows:

	2	O	1	3
US	\$'	O	O	c

Total assets					83,278
Total liabilities					1,447
Profit from a subsidiary held for sale					1,116
INVESTMENT IN AN ASSOCIATE					
				2013	2012
				US\$'000	US\$'000
As at 1 January				27,140	25,736
Share of loss of associate				(1,985)	(114)
Foreign exchange gain				789	1,518
				25,944	27,140
The Group has the following investment in an ass	sociate:				
		31 December 20	13	31 December 20	12
	Country of	Ownership	Amount	Ownership	Amount
	Incorporation		US\$'000		US\$'000
Panmure Gordon & Co. PLC	Jnited Kingdom	43.4%	25,944	43.7%	27,140
			25,944		27,140

At 31 December 2013

9 INVESTMENT IN AN ASSOCIATE (continued)

The financial position, revenue and results of associate based on its financial statements, as at and for the year ended 31 December are as follows:

	Panmure Gordon		
	& Co. Plc.	MIP/MIP-II	Total
	US\$′000	US\$'000	US\$'000
31 December 2013			
Total assets	108,240	-	108,240
Total liabilities	54,068	-	54,068
Total revenue	45,014	-	45,014
Net profit	436	-	436
Share of loss*	(1,985)	-	(1,985)
31 December 2012			
Total assets	85,749	-	85,749
Total liabilities	28,928	-	28,928
Total revenue	37,362	-	37,362
Net loss	(1,313)	-	(1,313)
Share of (loss)/profit	(114)	179	65

^{*} Above share of loss includes US\$ 1.9 million consolidation adjustment based on the Panmure Gordon & Co. PLC annual financial statements for the year ended 31 December 2012.

Notes:

- (i) Panmure Gordon & Co. PLC is listed on the Alternative Investment Market (AIM) in the UK. The closing share price of Panmure Gordon was GBp 159 as at 31 December 2013 (31 December 2012: GBp 145) having fair value of US\$ 17.7 million (31 December 2012: US\$ 15.8 million).
- (ii) On 2 October 2011, the Group received the final distribution from liquidators of MIP/MIP-II of its stake in the company for US\$ 2.9 million. MIP/MIP-II was involved in real estate investment activities. The amount of the Group's share in the net assets of MIP/MIP-II at the date of disposal was US\$ 1.3 million. Hence the gain on liquidation of MIP/MIP-II was US\$ 1.6 million. The Group had acquired its 25% stake in MIP/MIP-II for US\$ 50 million in October 2009. During 2012, the Group received an amount of US\$ 179 thousand as final liquidation settlement.

10 INVESTMENT PROPERTIES

	2013 US\$'000	2012 US\$'000
At 1 January	76,352	80,646
Net loss from fair value adjustment	(7,214)	(5,558)
Exchange adjustment	3,128	1,264
At 31 December	72,266	76,352



10 INVESTMENT PROPERTIES (continued)

The Group's investment properties consist of two commercial properties in France leased to two subsidiaries of Airbus Group.

As at 31 December 2013 and 2012, the fair values of the properties are based on valuations performed by CBRE, an accredited independent valuer.

	2013	2012
	US\$'000	US\$'000
Pontal income derived from invectment properties	5.955	F 766
Rental income derived from investment properties	5,955	5,766
Net loss from fair value adjustment	(7,214)	(5,558)
Net (loss)/gain from investment properties	(1,259)	208

The Group has no restrictions on the reliability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group has pledged these investment properties as collateral for certain profit bearing financing liabilities as disclosed in Note 13 to the consolidated financial statements.

11 OTHER ASSETS

		2013	2012
	Notes	US\$'000	US\$'000
Deferred tax assets	24	20,571	20,201
Fee and commission income receivables - net		4,238	34,244
Security deposit and margin call receivables (i)		10,186	16,595
Derivative financial instruments	11.1	3,730	272
Equipment	11.2	4,467	6,173
Intangible assets	11.3	479	863
Accrued income on placements		3,023	3,174
Accrued income on sukuks		1,356	1,113
Prepayments		1,933	1,202
Others		4,560	1,411
		54,543	85,248

Note:

(i) Security deposit in amount of US\$ 10.1 million (2012: Nil) includes cash collateral at National Bank of Kuwait for financing liability as disclosed in Note 25 to the consolidated financial statements.

At 31 December 2013

11 OTHER ASSETS (continued)

11.1 Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments. 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. These notional amounts, therefore, are not indicative of the Group's exposure to credit risk, which is generally limited to the positive or negative fair value of the derivatives. Derivative contracts are Shari'a compliant and were approved by the Shari'a Supervisory Board of the Group.

		2013			2012		
		Assets US\$'000	Liabilities US\$'000	Notional amount US\$'000	Assets US\$'000	Liabilities US\$'000	Notional amount US\$'000
a) Held for t	rading						
Options		1,403	_	128,510	-	867	11,916
Profit rate	Profit rate swaps	1,030	1,030	72,053	-	-	-
		2,433	1,030	200,563		867	11,916
b) Held as fa	ir value hedges	·					
Forward fo	reign exchange contracts	-	_	-	-	4	14,106
Currency o	ption	1,297	_	15,000	-	-	-
		1,297		15,000		4	14,106
	edge of net investment operations						
	reign exchange contracts	-	7,486	179,495	272	3,746	176,466
d) Derivative	es used as cash flow hedges	. <u> </u>					
Cross curre	ency profit rate swaps	-	439	26,242	-	-	-
		3,730	8,955	421,300	272	4,617	202,488

At 31 December 2013



11 OTHER ASSETS (continued)

11.2 Equipment

Equipment	Furniture & fittings US\$'000	Computer equipment US\$'000	Office equipment US\$'000	Vehicles US\$'000	Total US\$′000
Cost					
As at 1 January 2013	7,120	2,576	1,439	479	11,614
Additions during the year	18	-	27	-	45
Disposals during the year	(521)	(3)	(107)	-	(631)
Balance as at 31 December 2013	6,617	2,573	1,359	479	11,028
Depreciation					
As at 1 January 2013	2,044	2,197	843	357	5,441
Charge for the year	710	253	266	62	1,291
Disposals during the year	(124)	(2)	(45)	-	(171)
Balance as at 31 December 2013	2,630	2,448	1,064	419	6,561
Net book value as at 31 December 2013	3,987	125	295	60	4,467
	Furniture & fittings US\$'000	Computer equipment US\$'000	Office equipment US\$'000	Vehicles US\$'000	Total US\$'000
Cost					
As at 1 January 2012	7,126	2,491	1,430	479	11,526
Additions during the year		87	10	_	97
Disposals during the year	(6)	(2)	(1)	-	(9)
Balance as at 31 December 2012	7,120	2,576	1,439	479	11,614
Depreciation					
As at 1 January 2012	1,329	1,739	565	263	3,896
Charge for the year	718	460	278	94	1,550
Disposals during the year	(3)	(2)	-	-	(5)
Balance as at 31 December 2012	2,044	2,197	843	357	5,441
Net book value as at 31 December 2012		379		122	6,173

At 31 December 2013

11 OTHER ASSETS (continued)

11.3 Intangible assets

12

intangible assets	Software US\$'000	Trademark & licenses US\$'000	Total US\$'000
Cost			
As at 1 January 2013	2,457	427	2,884
Balance as at 31 December 2013	2,457	427	2,884
Amortization			
As at 1 January 2013	1,829	192	2,021
Charge for the year	341	43	384
Balance as at 31 December 2013	2,170	235	2,405
Net book value as at 31 December 2013	287	192	479
	Software US\$'000	Trademark & licenses US\$'000	Tota US\$'000
Cost			
As at 1 January 2012	2,351	427	2,778
Additions during the year	106		106
Balance as at 31 December 2012	2,457	427	2,884
Amortization			
As at 1 January 2012	1,449	149	1,598
Charge for the year	380	43	423
Balance as at 31 December 2012	1,829	192	2,021
Net book value as at 31 December 2012	628	235	863
DUE TO BANKS			
		2013 US\$'000	2012 US\$'000
Wakala payable		84,066	5,053
		84,066	5,053

At 31 December 2013



13 FINANCING LIABILITIES

	2013	2012
	US\$'000	US\$'000
Financial institutions	103,001	150,181
Other institutions	36,126	31,540
	139,127	181,721

Notes:

- (i) The Group has pledged fair value through equity investments amounting to US\$ 87.149 million (2012: US\$ 74.952 million) as collateral for certain profit bearing financing liabilities.
- (ii) The Group has pledged investment properties owned by Verdi Luxembourg SARL, disclosed in Note 10 to the consolidated financial statements as collateral for financing arrangement with National Bank of Kuwait for an amount of Euro 35 million.

14 OTHER LIABILITIES

	2013	2012
	US\$'000	US\$'000
Payables	3,435	1,265
Other accruals	14,868	11,681
Employees related accruals	2,116	2,202
Derivative financial instruments (Note: 11.1)	8,955	4,617
Zakah payable	162	606
Other provisions	887	851
	30,423	21,222
Employees related accruals represent provisions for employees' end of service benefits as follows:		
	2013	2012
	US\$'000	US\$'000
Delenge at 1 January	2,202	
Balance at 1 January	2,202	2,507
Charge for the year	841	2,507 1,143

At 31 December 2013

15 SHARE CAPITAL

	2013 US\$'000	2012 US\$'000
Authorized capital		
1,000 million shares of US\$ 1 each	1,000,000	1,000,000
Issued and fully paid-up capital		
750 million shares of US\$ 1 each	750,000	750,000
	750,000	750,000

All shares issued are of the same class and carry equal rights.

The shareholding structure of the Bank is as follows:

	31 December 2013		31 Decembe	er 2012
	% holding	Amount US\$'000	% holding	Amount US\$'000
Qatar Islamic Bank S.A.Q	47.15%	353,625,000	46.96%	352,225,000
Khaleeji Commercial Bank	4.46%	33,482,657	4.46%	33,482,657
Qatar Armed Forces	2.00%	15,000,000	2.00%	15,000,000
Others	46.39%	347,892,343	46.58%	349,292,343
	100%	750,000,000	100%	750,000,000

Note:

The Board of Directors of the Bank has resolved to acquire, by way of a tender offer to the Bank's shareholders (the Tender Offer), up to 44,642,857 Shares in the Bank (the Buyback Shares) at a price of US\$ 1.12 per share (the Purchase Price).

Opening date for the Tender Offer is 27 December 2013 and it will close on 20 February 2014. The Extraordinary General Assembly will be held in February 2014 to approve the Shares buyback. Announcement of the outcome of the Tender Offer will be made in March 2014 and subsequently wire transfer orders will be placed in respect of share purchased by end of March 2014.

Under the Tender Offer, each shareholder will be entitled to sell up to 5.95 % of their total shareholding in the Bank (the Basic Amount), but may tender to less or sell more than their Basic Amount. If a shareholder tenders to sell a number less than or equal to his/her Basic Amount, such tender will be satisfied in full (subject to completion of the Tender Offer). If a Shareholder tenders to sell a number above his/her Basic Amount, such tender will only be accepted if and to the extent that other shareholders have tendered less than their Basic Amount, and then only in proportion to the aggregate number of Shares tendered in excess of all shareholders' Basic Amount, so that the total number of shares purchased pursuant to the Tender Offer does not exceed 44,642,857 shares.

Shares to be purchased by the Bank pursuant to the Tender Offer will be held in treasury and will not rank for any dividends, distribution, voting or other equity related rights declared by the Bank.

16 SHARE PREMIUM

On 4 June 2009, the Bank announced a rights issue of shares at US\$ 1.03 per share. The total number of new shares that were issued under the rights issue was 250 million. Accordingly the share premium account was credited with US\$ 7.5 million (At 3 US cents per share).

At 31 December 2013



17 RESERVES

17.1 Foreign currency translation reserve

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

17.2 Investments fair value reserve

The investments fair value reserve includes the cumulative net change in the fair value of fair value through equity investments, excluding impairment losses, until the investment is derecognized. This also includes the Bank's share of the fair value changes on fair value through equity investments of associate.

	Foreign currency translation reserve US\$'000	Hedging reserve US\$'000	Cumulative changes in fair value US\$'000	Cash flow hedge reserve US\$'000	Total US\$'000
At 1 January 2012	(20,449)	8,190	(28,162)		(40,421)
Net movement in currency translation reserve	2,257	-			2,257
Effective portion of changes in net					
investment in foreign operation hedges		(3,132)		-	(3,132)
Net movement in fair value reserve		_	27,435	_	27,435
At 31 December 2012	(18,192)	5,058	(727)	<u> </u>	(13,861)
Net movement in currency translation reserve	3,834			<u> </u>	3,834
Effective portion of changes in net					
investment in foreign operation hedges		(5,850)		-	(5,850)
Net movement in fair value reserve	_	-	18,978	-	18,978
Net unrealised gains on cash flow hedges	-	-	-	439	439
Net gains on cash flow hedges reclassified					
to the income statement	-	-	-	(203)	(203)
Reclassified to other assets (i)		-		(236)	(236)
At 31 December 2013	(14,358)	(792)	18,251		3,101

Note:

18 INCOME FROM FINANCING ASSETS

	2013 US\$'000	2012 US\$'000
Income from Murabaha	7,299	5,096
Income from Ijarah Muntahia Bittamleek	2,301	
	9,600	5,096

⁽i) Counterparty of the Murabaha financing has agreed to bear the cost of the exchange rate risk in the event of early settlement. Therefore, remaining unrealized gain on cash flow hedges has been transferred to the counterparty.

At 31 December 2013

20

21

19 NET GAIN/(LOSS) FROM INVESTMENT SECURITIES

NET GAIN/(LOSS) FROM INVESTMENT SECORTIES		
	2013 US\$′000	2012 US\$'000
	022.000	02\$ 000
Income from 'fair value through equity' investments		
(Loss)/gain on sale	1,453	(3,432)
Dividend income	5,365	8,558
	6,818	5,126
Income from 'held for trading' investments, net		
Gain on sale	905	2,473
Coupon income on Sukuk	1,035	2,159
Fair value changes	(878)	2,257
	1,062	6,889
Income from financial assets designated at fair value through income statement		
Fair value changes	5,823	(45,245)
Realise gain on sale of investments	135	10,890
	5,958	(34,355)
Income from investments carried at amortized cost		
Income from amortized cost sukuk	3,209	3,475
Income from derivative financial instrument		
Income from derivatives	3,159	
	20,206	(18,865)
FEE AND COMMISSION INCOME		
FEE AND COMMISSION INCOME	2013	2012
	US\$'000	US\$'000
Management fee income	390	289
Advisory fee income	6,673	30,331
Arrangement fee	_ - _	9,269
Other	<u> </u>	105
	7,063	39,994
FOREIGN EXCHANGE LOSSES		
	2013	2012
	US\$'000	US\$'000
Foreign currency denominated investments revaluation	(4,001)	(2,810)
Forward foreign exchange and others	475	397
	(3,526)	(2,413)
		(2,713)

At 31 December 2013



2,237

3,390

1,223

10,818

325

214

2,938

6,026

1,093

13,844

174

310

22 STAFF COSTS

23

	2013	2012
	US\$'000	US\$'000
Salaries	12,975	20,314
Other staff benefits	7,335	9,977
End of service benefits	841	1,143
	21,151	31,434

Equity settled share based payments

During 2009, the Bank established a Key Executive Long-Term Incentive Plan ("KELTIP") to incentivize and retain senior executives. Under the KELTIP, selected individuals were granted a conditional share award which vests in equal tranches at the end of 2012 and 2013 based on continuity of employment and the achievement of a pre-determined share price target.

During 2012, the Board of Directors decided to close the KELTIP, because the performance targets set out in the KELTIP have not been met. Moreover, key staff eligible for KELTIP left the Bank during the year.

The number of share awards is as follows:

IT and communication expenses

Professional fees

Office expenses

Other expenses

Advertisement and marketing expenses

	2013 US\$'000	2012 US\$'000
As at 1 January	-	32,100,000
Granted during the year	-	_
Exercised during the year	-	_
Lapsed during the year	-	(32,100,000)
As at 31 December		-
GENERAL AND ADMINISTRATIVE EXPENSES		
	2013	2012
	US\$'000	US\$'000
Premises cost	3,429	3,303

At 31 December 2013

24 INCOME TAX

The major components of the tax credit/(expense) for the year 2013 and 2012 are:

	2013 US\$'000	2012 US\$'000
Current income tax:		
Current income tax charge	(3,834)	(601)
Deferred income tax:		
Relating to origination and reversal of temporary differences	6,504	(997)
Recognition of previously unrecognised tax losses	1,852	_
	8,356	(997)
Income tax credit/(expenses) included in the consolidated income statement	4,522	(1,598)
Deferred tax		
Deferred tax relates to the following:		
	2013	2012
	US\$'000	US\$'000
Deferred tax assets	22,133	20,201
Deferred tax liabilities	(1,562)	_
Deferred tax assets (net):	20,571	20,201
Reconciliation of deferred tax assets (net):		
	2013	2012
	US\$'000	US\$'000
Opening balance as of 1 January	20,201	21,320
Tax income/(expense) during the period recognised in income statement	8,356	(997)
Tax income/(expense) during the period recognised in equity	(7,986)	(122)
Closing balance as at 31 December	20,571	20,201

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

At 31 December 2013



25 CONTINGENT LIABILITIES AND COMMITMENTS

	2013	2012
	US\$'000	US\$'000
Investment commitments (a)		310,000
Forward foreign exchange contracts	179,495	190,572
Letters of guarantee (b)	12,959	
Bank guarantee (c)	16,158	
Operating lease commitments (d)	5,608	9,065
Financing commitment (e)	45,000	

Notes:

(a) On 6 May 2012, Qlnvest entered into a definitive agreement with EFG Hermes Holding S.A.E ("EFG Hermes") involving EFG Hermes' Brokerage, Research, Assets Management, Investment Banking and Infrastructure Fund Business. Pursuant to the agreement, EFG Hermes and Qlnvest will enter into a joint venture at the level of EFG Hermes Qatar L.L.C, to be 60% owned by Qlnvest and 40% owned by EFG Hermes. EFG Hermes will also have the right to sell its entire 40% shareholding in the JV Company to Qlnvest at any time during the period between 12 to 36 months from signing of the transaction at a price of EGP 1 billion. Qlnvest will have the right to acquire from EFG Hermes its entire 40% shareholding at any time during the period between 12 to 36 months from signing of the transaction at the higher of US\$ 165 million or fair market value at the time of the exercise subject to a cap. At closing of the joint venture transaction, Qlnvest will also acquire 60% of the seed capital of the asset management business at market value from EFG Hermes.

On 16 September 2012, the Extraordinary General Assembly meeting of EFG Hermes approved the transaction.

On 1 January 2013, QInvest paid US\$ 8.25 million to acquire 60% of the share capital of EFG Hermes Qatar LLC by way of a share subscription. The remaining amount of US\$ 241.75 million was supposed to be paid by QInvest to EFG Hermes Qatar LLC at completion; this amount was supposed to be used by EFG Hermes Qatar LLC to acquire the identified target companies from EFG Hermes. In addition to the above, QInvest was supposed to acquire 60% of the asset management seed capital from EFG Hermes on the date of final closing.

Qlnvest and EFG Hermes did not get the final regulatory approvals. On 10 May 2013 the transaction lapsed as per agreement terms, the outstanding commitment was extinguished and the initial consideration paid amounting to US\$ 8.25 million was received back from EFG Hermes Qatar LLC in May 2013.

(b) Subsidiary of the Group, Q Green has given financial guarantees to banks committing to make payments in the event of a specific act. These guarantees have been given on behalf of Q Green's investee companies. Liability under these guarantees is limited solely to Q Green and QInvest as a group (excluding Q Green) cannot be required to honour these guarantees. Accordingly, amount of guarantees has been limited to Q Green Capital of US\$ 12.9 million. Q Green does not expect these guarantees to be called.

At 31 December 2013

25 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Notes (continued):

- (c) During the year, Verdi Luxembourg SARL, a 100% owned subsidiary, entered into a financing arrangement with National Bank of Kuwait for an amount of Euro 35 million. As part of the security package under the Financing Agreement, the Group has provided a cash collateral of Euro 7.4 million against its pending litigation with its tenants, and the Parent company has made a drawdown facility in maximum amount of Euro 4.6 million to cover any payments to be made by Verdi Luxembourg SARL under the dispute and / or as a result of the 3% rent increase clauses being voided by French courts.
- (d) Future minimum lease payments:

	2013	2012
	US\$′000	US\$'000
Not later than one year	2,586	3,458
Later than one year and not later than five years	3,022	5,607
	5,608	9,065

(e) Financing commitment to Petainer UK Holding limited.

26 RELATED PARTY TRANSACTIONS

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 entities over which the Group exercises significant influence, major shareholders, directors and key management personnel of the Group.

The related party transactions and balances included in these consolidated financial statements are as follows:

	2013 US\$'000	2012 US\$'000
Balance sheet items:		
Assets:		
Placements and bank balances with a significant shareholder and its subsidiaries	25,706	42,074
Liabilities:		
Payable to a significant shareholder	<u> </u>	167
Off balance sheet items:		
Forward foreign exchange contracts outstanding	98,914	130,723
Restricted investment accounts	<u> </u>	153,688

At 31 December 2013



26 RELATED PARTY TRANSACTIONS (continued)

Income statement items:

	2013	2012
	US\$'000	US\$'000
Fee and commission income from transaction with the other related parties	468	26,498
Transactions with a significant shareholder	205	660

Key management personnel of the Group comprise the Board of Directors and key members of management having authority and responsibility for planning, controlling and directing the activities of the Group.

Transactions with key management personnel:

	2013	2012
	US\$'000	US\$'000
Salaries, incentives and other short term benefits	3,686	5,296
Post employment benefits	126	245

27 ZAKAH

Pursuant to the decision of the shareholders' in the first General Assembly of the Bank on 28 May 2008, the Bank is required to calculate and notify individual shareholders of their pro-rata share of the Zakah payable per share. These calculations are approved by the Group's Sharia'a Supervisory Board.

Zakah is directly borne by the shareholders. The Bank does not deduct or pay Zakah on behalf of its shareholders. Zakah payable by the shareholders is computed by the Bank on the basis of the method prescribed by the Bank's Sharia'a Supervisory Board and notified to shareholders annually. The Zakah payable for 2013 would be US\$ 0.03 (2012: US\$ 0.02) for every share held.

QInvest Saudi Arabia (100% owned subsidiary of the Bank), has the obligation to calculate and pay Zakah based on the local rules applicable in the Kingdom of Saudi Arabia on annual basis.

28 SHARIA'A SUPERVISORY BOARD

The Group's Sharia'a Supervisory Board consists of three Islamic scholars who review the Group's compliance with general Sharia'a principles and specific fatawa, rulings and guidelines issued. Their review includes examination of evidence relating to the documentation and procedures adopted by the Group to ensure that its activities are conducted in accordance with Islamic Sharia'a principles.

29 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

At 31 December 2013

29 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Classification of assets held for sale

The Group classifies non-current assets or a disposal group as 'held for sale' if its carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. In addition, the sale is expected to be completed within one year from the date of classification. The expected time of completion of sale and management's plan to sell is based on management assumptions in relation to the condition of the asset and its current performance and requires judgment. There is no certainty on the execution and completion of the sale transaction and any changes in the plan to sell may cause the classification of the disposal group to be changed and consequently the basis of measurement, presentation and disclosure in the consolidated financial statements.

Verdi Luxembourg SARL, a limited liability company incorporated under the laws of Luxembourg, has been reclassified from 'Held for Sale' to normal subsidiary during the year due to change in management plans. Verdi assets have accordingly been re-measured at the lower of (a) carrying amount before the subsidiary was classified as held for sale, and (b) recoverable amount at the date of the subsequent decision not to sell.

During the year the Group has classified the assets of its consolidated structured entity, 'Q Land Real Estate SPC', a single person company duly incorporated and validly existing under the laws of the State of Qatar, as held for sale. All the assets and liabilities of the subsidiary are classified as held for sale in the consolidated financial statements.

For more details on the subsidiary held for sale, refer to Note 8.

Consolidation of a structured entity

During the year 2013, Qlnvest ("the Group") entered into a Murabaha agreement with Q Land Real Estate SPC ("Q land") that holds the legal ownership of properties currently leased (the "properties"). Under the terms of a commodity Murabaha agreement (without transfer of the legal ownership of the properties), Qlnvest provided a financing of US\$ 79.6 million (QAR 290 million) to Q Land.

In addition to fixed return on Murabaha, QInvest will be entitled to 100% of any additional proceeds from the properties. The Murabaha will be secured by a mortgage over the properties and an assignment of the lease proceeds to the Group.

In addition and despite the fact that the Group is not a direct or indirect shareholder in Q Land Real Estate SPC, it has been granted several controlling rights over Q Land Real Estate SPC under an irrevocable power of attorney granted in favor of QInvest for managing, disposing, renting etc. the properties and the Articles of Association of Q Land Real Estate SPC which prohibits Q Land Real Estate SPC from including, but not limited to, disposing of or providing mortgage over any of Q Land Real Estate SPC's assets, appointing and removing Q Land Real Estate SPC's directors, liquidating or dissolving Q Land Real Estate SPC, obtaining any loans from financial institutions and providing any covenants or security in this regard, etc. without the prior written approval of QInvest.

29 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

The Group considered all relevant facts and circumstances in assessing whether it has power over an investee and concluded that Group has the right of variable returns arising from Q Land Real Estate SPC and has the ability to use its power to affect these returns. Therefore, Q Land Real Estate SPC is consolidated in the Group's consolidated financial statements.

Q Land Real Estate SPC is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in the consolidated financial statements of the Group.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of equipment and intangible assets

The Group estimates the useful life of equipment and intangible assets with finite lives by taking account of the expected pattern of economic benefit that the Group expects to derive from the asset. This is based on the judgment of the Group entities after taking consideration of useful lives of similar assets of comparable entities.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the income statement. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2013 for investment properties.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

At 31 December 2013

29 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of fair value through equity investments

The Group determines that fair value through equity investments are impaired when there has been a 'significant' or 'prolonged' decline in the fair value below its cost. This determination of what is 'significant' or 'prolonged' requires judgment and is assessed based on qualitative and quantitative factors, for each fair value through equity investment separately. In making a judgment of impairment for fair value through equity investments, the Group evaluates among other factors, evidence of deterioration in the financial health of the entity, impact of delay in execution, industry and sector performance, changes in technology and operational and financing cash flows or whether it becomes probable that that the investee will enter bankruptcy or other financial reorganization.

Valuation of investments designated at fair value through income statement

The fair value of unquoted investments designated at fair value through income statement is determined by management using various valuation techniques. Valuation techniques employed include using a market multiples approach, a discounted cash flow analysis and a comparable transaction approach amongst others. These techniques require management to make certain assumptions and estimates about expected future cash flows, revenues, profits and expected market conditions. Management ensures that in all cases these assumptions are reasonable and realistic.

The chosen valuation techniques make maximum use of market inputs as well as on entity-specific inputs. They incorporate all factors that market participants would consider in setting a price and are consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Group calibrates the valuation techniques and test them for validity using prices from any observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on any available observable market data.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

30 SEGMENT INFORMATION

For management purposes, the Group is divided into four operating segments which are based on industry concentration of the Group's assets and liabilities and its associated companies as follows:

- Oil and gas
- Banks and other financial institutions
- Real Estate
- Others

Unallocated assets, liabilities and revenues are related to certain central functions and non-core business operations, eg common property & equipment, cash functions and development projects and related payables, net of intra-group transactions.

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

At 31 December 2013



30 SEGMENT INFORMATION (continued)

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

(a) By operating segment

	Banks and other financial	_		Total
Oil & gas US\$'000	institutions US\$'000	Real estate US\$'000	Other US\$'000	carrying value US\$'000
	35,732			35,732
	186,235			186,235
	15,034	72,816	128,099	215,949
	129,214	53,909	128,567	311,690
		83,278	_	83,278
	25,944	<u> </u>	_	25,944
		72,266	_	72,266
	22,474	1,886	30,183	54,543
	414,633	284,155	286,849	985,637
	84,066	<u> </u>	_	84,066
	103,001	<u> </u>	36,126	139,127
	_	1,447	-	1,447
	9,842	4,200	16,381	30,423
	196,909	5,647	52,507	255,063
(13)	6,421	9,102	22,847	38,357
	(4,106)	3,053	(34,168)	(35,221)
(13)	2,315	12,155	(11,321)	3,136
		other financial institutions US\$'000 - 35,732 - 186,235 - 15,034 - 129,214 25,944 22,474 - 414,633 - 84,066 - 103,001 9,842 - 196,909 (13) 6,421 - (4,106)	Oil & gas US\$'000 other financial institutions US\$'000 Real estate US\$'000 - 35,732 - - 186,235 - - 15,034 72,816 - 129,214 53,909 - - 83,278 - 25,944 - - - 72,266 - 22,474 1,886 - 414,633 284,155 - 84,066 - - 103,001 - - 9,842 4,200 - 196,909 5,647	Oil & gas US\$'000 other financial institutions US\$'000 Real estate US\$'000 Other US\$'000 - 35,732 - - - - 186,235 - - - - 15,034 72,816 128,099 128,567 - 129,214 53,909 128,567 - - 25,944 - - - - 72,266 - - - - 22,474 1,886 30,183 30,183 - 414,633 284,155 286,849 - 103,001 - 36,126 - - 1,447 - - 9,842 4,200 16,381 - 196,909 5,647 52,507 (13) 6,421 9,102 22,847 - (4,106) 3,053 (34,168)

At 31 December 2013

30 SEGMENT INFORMATION (continued)

(a) By operating segment (continued)

ASSETS			Banks and other financial			Total
Cash and bank balances - 44,736 44,736 Placements with banks - 263,201 263,20 Financing assets 15,000 10,000 - 70,724 95,724 Investment securities 1,655 115,679 95,756 112,981 326,07 Investments in an associate - 27,140 27,140 Investment properties - 76,352 - 76,352 Other assets 53 19,036 20,459 45,700 85,248 TOTAL ASSETS 16,708 479,792 192,567 229,405 918,472 Liabilities - 5,053 5,053 5,053 Due to banks - 5,053 5,053 5,053 Financing liabilities - 54,286 52,900 74,535 181,72 Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715)	31 December 2012	3	institutions			carrying value US\$'000
Placements with banks - 263,201 - - 263,202 Financing assets 15,000 10,000 - 70,724 95,724 Investment securities 1,655 115,679 95,756 112,981 326,07 Investments in an associate - 27,140 - - 27,140 Investment properties - 76,352 - 76,352 Other assets 53 19,036 20,459 45,700 85,248 TOTAL ASSETS 16,708 479,792 192,567 229,405 918,472 Liabilities - 5,053 - - 5,053 Financing liabilities - 50,290 74,535 181,722 Other liabilities - 54,286 52,900 74,535 181,722 Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items 248 (18,237) 39,609 5,009 26,629 Expens	ASSETS					
Financing assets 15,000 10,000 - 70,724 95,724 Investment securities 1,655 115,679 95,756 112,981 326,07 Investments in an associate - 27,140 - - 27,140 Investment properties - 76,352 - 76,352 Other assets 53 19,036 20,459 45,700 85,248 TOTAL ASSETS 16,708 479,792 192,567 229,405 918,472 Liabilities - 5,053 - - 5,053 Financing liabilities - 54,286 52,900 74,535 181,722 Other liabilities - 54,286 52,900 74,535 181,722 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Cash and bank balances	-	44,736	-	-	44,736
Investment securities 1,655 115,679 95,756 112,981 326,07 Investments in an associate - 27,140 - - 27,144 Investment properties - 76,352 - - 76,352 - - 76,352 - - - 76,352 - <t< td=""><td>Placements with banks</td><td>_</td><td>263,201</td><td>-</td><td>-</td><td>263,201</td></t<>	Placements with banks	_	263,201	-	-	263,201
Investments in an associate	Financing assets	15,000	10,000	-	70,724	95,724
Investment properties	Investment securities	1,655	115,679	95,756	112,981	326,071
Other assets 53 19,036 20,459 45,700 85,248 TOTAL ASSETS 16,708 479,792 192,567 229,405 918,472 Liabilities Ue to banks - 5,053 - - 5,053 Financing liabilities - 54,286 52,900 74,535 181,722 Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items Revenue Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Investments in an associate		27,140	-	-	27,140
TOTAL ASSETS 16,708 479,792 192,567 229,405 918,472 Liabilities - 5,053 - - 5,053 Financing liabilities - 54,286 52,900 74,535 181,722 Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items - 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Investment properties			76,352	-	76,352
Liabilities 5,053 - - 5,053 Financing liabilities - 54,286 52,900 74,535 181,722 Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items Revenue 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Other assets	53	19,036	20,459	45,700	85,248
Due to banks - 5,053 - - 5,053 Financing liabilities - 54,286 52,900 74,535 181,727 Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	TOTAL ASSETS	16,708	479,792	192,567	229,405	918,472
Financing liabilities - 54,286 52,900 74,535 181,722 Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items 8 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Liabilities					
Other liabilities - 4,618 3,469 13,135 21,222 TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items Revenue 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Due to banks		5,053	<u> </u>	<u>-</u>	5,053
TOTAL LIABILITIES - 63,957 56,369 87,670 207,996 Consolidated income statement items - 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Financing liabilities	<u> </u>	54,286	52,900	74,535	181,721
Consolidated income statement items 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Other liabilities		4,618	3,469	13,135	21,222
Revenue 248 (18,237) 39,609 5,009 26,629 Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	TOTAL LIABILITIES		63,957	56,369	87,670	207,996
Expenses, impairment and tax (1,469) (7,109) (9,715) (65,544) (83,837)	Consolidated income statement items					
	Revenue	248	(18,237)	39,609	5,009	26,629
(LOSS)/PROFIT (1,221) (25,346) 29,894 (60,535) (57,208	Expenses, impairment and tax	(1,469)	(7,109)	(9,715)	(65,544)	(83,837)
	(LOSS)/PROFIT	(1,221)	(25,346)	29,894	(60,535)	(57,208)

At 31 December 2013



30 SEGMENT INFORMATION (continued)

(b) By geography

The geographical concentration of the Group's assets, liabilities and income statement items as at and for the year ended 31 December 2013 is as follows:

	GCC countries US\$'000		USA			Total carrying value US\$'000
		Europe US\$'000	US\$'000	India US\$'000	Other regions US\$'000	
ASSETS						
Cash and bank balances	11,125	5,643	-	18,964	-	35,732
Placements with banks	171,235	15,000	-	-	-	186,235
Financing assets	46,394	45,409	50,000	-	74,146	215,949
Investment securities	57,747	141,530	75,303	32,109	5,001	311,690
Assets of a subsidiary held for sale	83,278	-	-	-	_	83,278
Investments in an associate	-	25,944	-	-	_	25,944
Investment properties	-	72,266	-	-	_	72,266
Other assets	17,301	35,686	399	51	1,106	54,543
TOTAL ASSETS	387,080	341,478	125,702	51,124	80,253	985,637
LIABILITIES						
Due to banks	84,066	_	_	-		84,066
Financing liabilities	31,286	103,001	_	-	4,840	139,127
Liabilities of a subsidiary held for sale	1,447	_	_	-		1,447
Other liabilities	21,968	7,929	_	-	526	30,423
TOTAL LIABILITIES	138,767	110,930			5,366	255,063
Consolidated income statement items						
Revenue	16,394	12,875	8,882	(6,324)	6,530	38,357
Expenses, impairment and tax	(34,534)	1,062	-	-	(1,749)	(35,221)
(LOSS)/PROFIT	(18,140)	13,937	8,882	(6,324)	4,781	3,136

At 31 December 2013

30 SEGMENT INFORMATION (continued)

(b) By geography (continued)

The geographical concentration of the Group's assets, liabilities and income statements items as at and for the year ended 31 December 2012 is as follows:

GCC					Total
countries US\$'000	Europe US\$'000	USA US\$'000	India US\$'000	Other regions US\$'000	carrying value US\$'000
8,227	9,641	4,006	22,862	_	44,736
210,201	53,000	-	_	-	263,201
10,000	55,500	20,000	-	10,224	95,724
132,920	63,744	73,031	56,376	-	326,071
	27,140	_	<u> </u>		27,140
	76,352	_	<u> </u>		76,352
35,910	47,459	1,009	124	746	85,248
397,258	332,836	98,046	79,362	10,970	918,472
5,026	-	-		27	5,053
42,995	107,186	31,540		-	181,721
14,582	5,739	-	901	-	21,222
62,603	112,925	31,540	901	27	207,996
34,193	6,697	9,532	(25,990)	2,197	26,629
(58,686)	(14,728)	(9,343)	_	(1,080)	(83,837)
(24,493)	(8,031)	189	(25,990)	1,117	(57,208)
	\$,227 210,201 10,000 132,920 35,910 397,258 5,026 42,995 14,582 62,603	8,227 9,641 210,201 53,000 10,000 55,500 132,920 63,744 - 27,140 - 76,352 35,910 47,459 397,258 332,836 5,026 - 42,995 107,186 14,582 5,739 62,603 112,925 34,193 6,697 (58,686) (14,728)	countries US\$'000 Europe US\$'000 US\$'000 8,227 9,641 4,006 210,201 53,000 - 10,000 55,500 20,000 132,920 63,744 73,031 - 27,140 - - 76,352 - 35,910 47,459 1,009 397,258 332,836 98,046 5,026 - - 42,995 107,186 31,540 14,582 5,739 - 62,603 112,925 31,540 34,193 6,697 9,532 (58,686) (14,728) (9,343)	countries US\$'000 Europe US\$'000 USA US\$'000 India US\$'000 8,227 9,641 4,006 22,862 210,201 53,000 - - 10,000 55,500 20,000 - 132,920 63,744 73,031 56,376 - 27,140 - - - 76,352 - - 35,910 47,459 1,009 124 397,258 332,836 98,046 79,362 5,026 - - - 42,995 107,186 31,540 - 14,582 5,739 - 901 62,603 112,925 31,540 901 34,193 6,697 9,532 (25,990) (58,686) (14,728) (9,343) -	countries US\$'000 Europe US\$'000 US\$'000 India US\$'000 Other regions US\$'000 8,227 9,641 4,006 22,862 - 210,201 53,000 - - - 10,000 55,500 20,000 - 10,224 132,920 63,744 73,031 56,376 - - 27,140 - - - - 76,352 - - - 35,910 47,459 1,009 124 746 397,258 332,836 98,046 79,362 10,970 5,026 - - - 27 42,995 107,186 31,540 - - 14,582 5,739 - 901 - 62,603 112,925 31,540 901 27 34,193 6,697 9,532 (25,990) 2,197 (58,686) (14,728) (9,343) - (1,080)

At 31 December 2013



31 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The following table sets out the maturity profile of the Group's assets, liabilities and forward foreign exchange contracts. The contractual maturities of assets, liabilities and forward foreign exchange contracts have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The maturity profile of the Group's assets, liabilities and forward foreign exchange contracts as at 31 December 2013 is as follows:

		(Gross undiscounte	ed cash flows		
	Up to 3 months US\$'000	3 to 6 months US\$'000	6 months to 1 year US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$'000
ASSETS						
Cash and bank balances	35,732	-	_	-	_	35,732
Placements with banks	171,235	-	15,000	-	-	186,235
Financing assets	2,609	-	10,224	183,322	19,794	215,949
Investment securities	-	-	_	10,391	301,299	311,690
Assets of a subsidiary held for sale	-	-	83,278	-	-	83,278
Investments in an associate	-	-	-	-	25,944	25,944
Investments properties	-	-	-	-	72,266	72,266
Other assets	6,080	8,581	11,932	1,403	26,547	54,543
Total Assets	215,656	8,581	120,434	195,116	445,850	985,637
LIABILITIES						
Due to banks	84,066	_	_	_	_	84,066
Financing liabilities	_	_	56,437	15,447	67,243	139,127
Liabilities of a subsidiary held for sale	-	_	1,447	_	-	1,447
Other liabilities	4,985	6,600	11,582	6,224	1,032	30,423
Total Liabilities	89,051	6,600	69,466	21,671	68,275	255,063
MATURITY GAP	126,605	1,981	50,968	173,445	377,575	730,574
Forward Foreign Exchange Contracts	148,088	31,407				179,495

At 31 December 2013

31 MATURITY OF ASSETS AND LIABILITIES (continued)

The maturity profile of the Group's assets, liabilities and forward foreign exchange contracts as at 31 December 2012 is as follows:

			Gross undiscounte	ed cash flows		
	Up to 3 months US\$'000	3 to 6 months US\$'000	6 months to 1 year US\$'000	1 to 3 years US\$'000	Over 3 years US\$'000	Total US\$'000
ASSETS						
Cash and bank balances	44,736	_	-	-	_	44,736
Placements with banks	260,201	3,000	-	-	-	263,201
Financing assets	25,000	10,224	-	-	60,500	95,724
Investment securities	101,771	18,334	42,855	-	163,111	326,071
Investments in an associate	-	_	-	-	27,140	27,140
Investments properties		_	-	-	76,352	76,352
Other assets	4,288	_	53,676	-	27,284	85,248
Total Assets	435,996	31,558	96,531		354,387	918,472
LIABILITIES						
Due to banks		_	5,053	-	_	5,053
Financing liabilities	54,286	_	52,900	40,738	33,797	181,721
Other liabilities		7,894	10,810	_	2,518	21,222
Total Liabilities	54,286	7,894	68,763	40,738	36,315	207,996
MATURITY GAP	381,710	23,664	27,768	(40,738)	318,072	710,476
Forward Foreign Exchange Contracts		190,572				190,572

32 FINANCIAL RISK MANAGEMENT

Overview

Financial instruments of the Group represent the Group's financial assets and liabilities. Financial assets include cash and bank balances, placements with financial and other institutions, investment securities portfolios, derivative financial instruments, financing assets, certain assets of a subsidiary held for sale and certain other assets of the Group. Financial liabilities include certain liabilities of a subsidiary held for sale, due to banks, financing liabilities, derivative financial instruments and certain other liabilities. Accounting policies for financial instruments are set out in note 2 in these consolidated financial statements.

The Group has exposure to various risks from its use of financial instruments. These risks can be broadly classified as:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk; and
- Regulatory and legal risks.

At 31 December 2013



32 FINANCIAL RISK MANAGEMENT (continued)

Overview (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The risk activities of the Group are recorded in separate books as:

Trading book for proprietary short-term position taking in equities and investments in fixed income instruments for which the Group has the intent for benefiting in the short term from actual or expected differences between buying and selling prices.

All other assets which are not classified under trading book are recorded in banking book. These includes investments in subsidiaries and associates, unquoted and quoted equity investments held other than for short-term position taking, investments in fixed income instruments for which the Group has the intent to either hold long term or sell in the medium term, other assets and general funding and liquidity management activities.

Risk management & governance framework of the Group

The Group's risk management process is an integral part of the organization's culture, and is embedded into the organization's practices as well as in all those involved in the risk management process. The Board of Directors ("Board"), Board Risk and Audit Committee ("BRAC"), senior management, risk officers, and line managers contribute to the effective Group-wide risk management.

The risk governance structure is headed by the Board of Directors and the Sharia'a Supervisory Board ("SSB") of the Group. The risk appetite and the risk strategy for the Group are developed at this level.

The next level of the Board committees has delegated powers for monitoring the risk taking activities of the Group. These committees are the Board Risk and Audit Committee, the Board Investment Committee ("BIC"), and the Nomination and Remuneration Committee. In turn, the risk appetite and risk tolerance set by the Board are cascaded across the institution and are taken into account in developing business goals and objectives.

As part of an effective system of control, key management decisions are made by more than one individual, in the form of non-board management committee, as follows:

Steering Committee ("STC") is the primary executive committee of the Group that is responsible for the following:

- a) General management issues including performance review against the budget, and oversight on implementation of the strategic business plan.
- b) Evaluates proposals for investments and credits, divestiture of assets and valuation of investments. The committee also ensures compliance with investment criteria as well as investment procedures at each phase of the investment process.
- c) Oversees management of market risks, translates investment strategy directions into asset allocation guidelines, and reviews and manages the capital adequacy, liquidity position and funding alternatives.
- d) Reviews the effectiveness of the operational risk management processes and procedures in respect of IT, Compliance, and AML, with the purpose of mitigating these risks.

At 31 December 2013

32 FINANCIAL RISK MANAGEMENT (continued)

Risk management & governance framework of the Group (continued)

The risk management functions are carried out by the identified control departments who liaise with the Chief Executive Officer for the day to day management of specific risks. These control departments include Risk Management & Compliance, Legal and Finance, and are manned by dedicated risk specialists in various disciplines to deal with the pertinent business risk exposures of the Group. In line with suitable governance policies, the Risk and Compliance department has an independent reporting line to the BRAC that allows Risk and Compliance to provide its impartial view on the business activities taken by the Group.

CREDIT RISK

Credit risk is the risk that an obligor or counterparty will fail to meet its contractual obligations in accordance with the agreed terms. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor exposure, business line exposure, country and economic sector risk etc.).

Management of credit risk

The Board has granted approval to the Group to engage in credit and investment related activities for approved products and is ultimately responsible for approving and periodically reviewing the credit and investment strategies and policies of the Group along with the SSB. The Board defines and sets the Group's overall levels of risk appetite, risk diversification and asset allocation strategies applicable to each Islamic financing instrument, economic activity, geographical spread, currency and tenor. The SSB has the responsibility to ensure that the business is conducted according to Islamic principles. The SSB reviews and approves the credit/investment products developed by the Group and used by the Group in its business along with the credit risk and investment policies.

The Board has delegated its responsibility of overall risk management to various Board and senior management committees. The BIC of the Board of Directors is responsible for evaluating and granting credit facilities and approving the Bank's investment activities within authorized limits as set by the Board and within the scope of activities approved by the QFCRA. The STC evaluates credit and investment proposals and also exercises oversight on compliance with investment criteria, limits and investment procedures. The Risk Management Department is responsible for reviewing and scrutinizing the Bank's risk management policies and procedures. The STC also reviews proposed guidelines on all risk and governance issues.

The Risk Management Department ("RMD") is responsible for the oversight and monitoring of the Group's credit risk, including:

- a) Formulating credit and investment policies in consultation with business units, covering credit and investment assessment, and risk reporting. RMD also facilitates establishment of the authorization structure for the approval and renewal of credit facilities. Approval / authorization limits are also allocated to Executive Management. Larger facilities require approval by BIC and/or the Board of Directors based on the authority limits structure of the Group.
- b) Reviewing and assessing credit and investment exposures prior to investments or facilities being committed. Exercising oversight for limiting concentrations of exposure to counterparties, countries and economic sectors.
- c) Exercising oversight on ongoing monitoring of credit and investment exposures, market risk exposures and operational risk management.
- d) Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of investment and credit risk.

At 31 December 2013



32 FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Management of credit risk (continued)

e) The RMD works alongside the investment department at all stages of a deal cycle from pre-investment, due diligence, exit and provides an independent review of every transaction. A fair evaluation of investments takes place every month with input from the investment department. Monthly updates of investments are reviewed by the STC. Regular audits of business units and group credit process are undertaken by Internal Audit.

EXPOSURE TO CREDIT RISK

The gross maximum exposure to credit risk as at 31 December 2013 was as follows:

	Bank balances US\$'000	Placements with banks US\$'000	Financing assets US\$'000	Amortized cost Sukuk US\$'000	Financial assets of a subsidiary held for sale US\$'000	Other financial assets US\$'000	Total carrying value US\$'000
Neither past due nor impaired							
Carrying amount	35,732	186,235	215,949	55,523	2,295	193,805	689,539
Past due but not impaired							
30 – 60 days	_	-	_	-	_	-	
60 – 90 days	_	-	_	-	_	-	
90 – 180 days	_	-	_	-	_	-	
More than 180 days		-				150	150
Carrying amount- past due							
but not impaired		<u> </u>	<u> </u>			150	150
Individually impaired							
Gross amount	_	_	_		-	161,066	161,066
Allowance for impairment		-				(71,879)	(71,879)
Carrying amount-							
individually impaired		<u>-</u>				89,187	89,187
Carrying amount	35,732	186,235	215,949	55,523	2,295	283,142	778,876

At 31 December 2013

32 FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

EXPOSURE TO CREDIT RISK

The gross maximum exposure to credit risk as at 31 December 2012 was as follows:

	Bank balances US\$'000	Placements with banks US\$'000	Financing assets US\$'000	Amortized cost Sukuk US\$'000	Financial assets of a subsidiary held for sale US\$'000	Other financial assets US\$'000	Total carrying value US\$'000
Neither past due nor impaired							
Carrying amount	44,736	263,201	95,724	48,781		207,901	660,343
Past due but not impaired							
30 – 60 days		_	-	-	-	9,838	9,838
60 – 90 days		_	_	_	-	1,334	1,334
90 – 180 days	-	_	_	_	-		_
More than 180 days						11,819	11,819
Carrying amount- past due							
but not impaired						22,991	22,991
Individually impaired							
Gross amount	_	_	_	_	-	169,843	169,843
Allowance for impairment						(66,695)	(66,695)
Carrying amount-							
individually impaired						103,148	103,148
Carrying amount	44,736	263,201	95,724	48,781		334,040	786,482

Credit risk coverage for investments

Investment securities comprise sukuks issued by reputable Islamic financial institutions. The Group predominantly limits its exposure to credit risk by investing in liquid and investment grade securities with a minimum investment grade of BBB, however, given the price dislocations of some of the issues, the Bank decided to consider sukuks where issuers exhibit acceptable credit risk. The sukuk investments are subject to a comprehensive risk limit framework which includes limits on exposures to countries, economic sectors and issuers and also transaction limits. Given these criteria, management expects to minimize the credit risk relating to investments.

At 31 December 2013



32 FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Credit risk coverage for investments (continued)

The table below presents an analysis of fair value through income statement and amortized cost sukuks by rating agency designation, based on Standard & Poors:

Rating Fair value as 31 December 20 US\$'0	13 31 December 2012
BBB+	- 18,334
BBB 3,44	4,693
BB 49,26	11,496
B+ 10,39	12,548
В	
BB-	
Not rated 7,73	13,205
Total 70,82	60,276

The Group's credit risk exposures arising from investments in sukuk are not covered by collateral. However sukuk holdings confer the Group ownership of the assets underlying the sukuk. As a result, the Group does not only have the financial right to any revenues but is an owner of part of the underlying asset.

Write-off policy

The Group writes off receivables and investment balances (and any related allowances for impairment losses) when the Group determines that the receivables or investments are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the payee or issuer's financial position such that the payee or issuer can no longer meet the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Concentration risk

Concentration risk is any single exposure or group of exposures with the potential to produce losses material enough to threaten the Group's health or ability to maintain its core operations. Such concentrations include:

- Significant exposures to an individual counterparty or group of related counterparties;
- Credit exposures to counterparties in the same economic sector or geographical region;
- Credit exposures to counterparties whose financial performance is dependent on the same activity or commodity; and
- Indirect credit exposures arising from the Group's credit risk mitigation activities (e.g. exposure to a single collateral type or to credit protection provided by a single counterparty).

At 31 December 2013

32 FINANCIAL RISK MANAGEMENT (continued)

CREDIT RISK (continued)

Concentration risk (continued)

Exposure to significant counterparties:

	% of capital resources	Carrying value US\$'000	
As at 31 December 2013	20%	140,385	
As at 31 December 2012	21%	150,000	

The only significant counterparty exposure as at 31 December 2013 is placements with Masraf Al Rayyan, a Qatari listed bank (31 December 2012: 150 million). Significant exposure is identified as aggregate exposure to a counterparty equal or exceeding 10% of capital resources.

LIQUIDITY RISK

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its funding requirements and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Board of Directors ("Board") is responsible for approving the Asset Liability Management ("ALM") policy of the Group. In turn, the Board may delegate part of its responsibilities to sub-committees and senior management. The Board has delegated the responsibilities of ALM to the STC.

The STC is responsible for the overall asset and liability management function of the Group. The STC sets guidelines for the overall management of the liquidity and rate of return risk by recommending policies, setting limits and guidelines and monitoring the risk and liquidity profile of the Group on a regular basis. The STC also determines the borrowing and funding strategy of the Group in order to maximize profit and minimize risk.

The Treasury Department receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid placements with financial institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units are met through Treasury to cover any short-term fluctuations, while longer term funding are addressed by way of bi-lateral arrangements with market counterparties. It is the Group's policy to keep a large part of its assets in highly liquid short-term instruments. The liquidity position is monitored daily. All liquidity policies and procedures are subject to review and approval by the STC. Monthly reports are submitted to the STC which also cover the liquidity position of the Group.

At 31 December 2013



32 FINANCIAL RISK MANAGEMENT (continued)

LIQUIDITY RISK (continued)

Exposure to liquidity risk

The Group's liquid assets include cash and cash equivalents, sovereign and high quality sukuks and marketable securities. Appropriate haircuts are applied to the valuation of these assets to ensure that a sufficient buffer is maintained for any market price fluctuation. The table below lists the liquidity indicators that the Group monitors on a regular basis.

Indicators	Minimum/ Maximum	2013	2012
Liquid assets/ total equity	Min 20%	37%	43%
Illiquid + long term investments / total assets	Max 80%	73%	41%

The maturity profile of the Group's assets and liabilities is shown in Note 31.

MARKET RISK

Market Risk is the risk of losses with respect to both on and off statement of financial position items arising from movements in market prices. These risks include the risk pertaining to profit rate related instruments and equities in the Trading Book and foreign exchange risk throughout the Group.

- Trading book consists of positions in financial instruments held either with a trading intent or in order to hedge other elements of the trading book. Positions held with the trading intent are those held intentionally for short term resale and/or with the intent of benefiting from actual or short term price movements or to lock in arbitrage profits.
- Banking book is defined as all activities of the Group that do not fall under the trading book.

Management of market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. As a matter of general policy, all trading positions on its assets and liabilities are being monitored on a daily basis by both business and control areas. Any material movements on the trading portfolios are addressed appropriately. All foreign exchange risk within the Group is transferred to Treasury. The Group seeks to manage currency risk by continually monitoring exchange rates. Overall authority for market risk is vested in the STC. RMD is responsible for the development of detailed risk management policies (subject to review and approval by the STC) and for the regular review of their implementation.

Market risk has the following main components:

- Profit rate risk;
- Foreign exchange risk; and
- Equity price risk;

At 31 December 2013

32 FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Profit rate risk

Profit rate risk arises when there is a mismatch between positions which are subject to profit rate adjustment within a period. In the Group's funding and investment activities, fluctuations in profit rates are reflected in profit margins and earnings.

Exposure to profit rate risk

Profit rate risk is the risk that the relative value of a profit bearing asset, whether fixed or floating, will worsen due to movements in market based benchmark profit rates. 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 instrument because of a change in market profit rates. The majority of the Group's profit based assets comprise placements with financial institutions and investments in sukuk which are primarily short-term in nature. The Group does not have liabilities subject to profit rate risk which includes the Wakala and Murabaha borrowings. The profit rates on the liabilities are fixed.

Profit rate risk sensitivity analysis

The Group monitors the sensitivity of the Group's financial instruments by way of subjecting them to standard scenarios that include a 100 basis point (bp) parallel fall or rise in all pertinent yield curves. An analysis of the Group's income statement sensitivity to an increase or decrease in market profit rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	ı	100 bps parallel increase / (decrease)
At 31 December 2013		3,716
At 31 December 2012		2,554
The effective profit rates on financial assets were as follows:		
	2013 US\$'000	2012 US\$'000
Placements with banks	0.89%	1.38%
Financing assets	8.7%	7.40%
Sukuks	7.22%	6.30%

At 31 December 2013



32 FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Profit rate risk profile

The following table sets out the profit rate risk profile of the Group's assets and liabilities as at 31 December 2013:

	Carrying amount US\$'000	Less than 3 months US\$'000	1 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Not profit sensitive US\$'000
ASSETS						
Cash and bank balances	35,732	-	_		-	35,732
Placements with banks	186,235	171,235	15,000	-	_	-
Financing assets	215,949	2,609	10,224	203,116	_	-
Investment securities	311,690	_	3,443	10,391	41,688	256,168
Assets of a subsidiary held for sale	83,278	_	_	-	_	83,278
Investments in an associate	25,944	_	_	-	_	25,944
Investment properties	72,266	_	_	-	_	72,266
Other assets	54,543	_	_		_	54,543
Total	985,637	173,844	28,667	213,507	41,688	527,931
LIABILITIES						
Due to banks	84,066	84,066	_		_	-
Financing liabilities	139,127	56,437	15,448	67,242	_	-
Liabilities of a subsidiary held for sale	1,447	_	_	-	_	1,447
Other liabilities	30,423	_	_	-	_	30,423
Total	255,063	140,503	15,448	67,242		31,870
Profit rate sensitivity gap	730,574	33,341	15,514	146,265	41,688	493,766
Cumulative profit rate sensitivity gap	730,574	33,341	46,560	192,825	234,513	730,574

At 31 December 2013

32 FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Profit rate risk profile (continued)

The following table sets out the profit rate risk profile of the Group's financial assets and liabilities as at 31 December 2012:

	Carrying amount US\$'000	Less than 3 months US\$'000	1 to 12 months US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Not profit sensitive US\$'000
ASSETS						
Cash and bank balances	44,736					44,736
Placements with banks	263,201	260,201	3,000			-11,730
Financing assets	95,724	25,000	10,224	60,500		
Investment securities	326,071	11,495	18,334	17,242	13,205	265,795
Investments in an associate	27,140		-			27,140
Investment properties	76,352					76,352
Other assets		_	_	_		85,248
Total	918,472	296,696	31,558	77,742	13,205	499,271
LIABILITIES						
Due to banks	5,053	_	5,053	-	-	-
Financing liabilities	181,721	-	-	74,535	-	107,186
Other liabilities	21,222	_	_	-	_	21,222
Total	207,996		5,053	74,535		128,408
Profit rate sensitivity gap	710,476	296,696	26,505	3,207	13,205	370,863
Cumulative profit rate sensitivity gap	710,476	296,696	323,201	326,408	339,613	710,476

Foreign exchange risk

The Group is exposed to foreign exchange risk on financial assets and liabilities that are denominated in a currency other than the functional currency of the Bank.

At 31 December 2013



32 FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Exposure to foreign exchange risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. The Group had the following significant net exposures denominated in foreign currencies that are not pegged to US\$:

	2013 US\$'000	2012 US\$'000
Euro	(30,387)	(18,646)
Pound Sterling	(9,584)	(4,127)
Indian Rupee	17,093	56,381

The exposures to Euro, Pound Sterling and Indian Rupee are primarily from the Group's net investment exposure to the foreign currency denominated assets and liabilities of a subsidiary held for sale, investment in associate, financial assets designated at fair value through income statement and fair value through equity investments. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on its net investment in foreign operations. Qlnvest hedged approximately half of its Indian Rupee exposure at spot.

Foreign exchange risk sensitivity analysis:

The table below indicates the effect of a reasonably possible movement of the currency rate against the US\$ on the net profit for the year, with all other variables held constant:

	2013 US\$'000	2012 US\$'000
5% change in currency exchange rate		
Euro	(1,519)	(932)
Pound Sterling	(479)	(206)
Indian Rupee	854	2,819

Equity price risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group for which prices in the future are uncertain. The following table demonstrates the sensitivity of the effect of cumulative changes in fair value of the Group to reasonably possible changes in equity prices (excluding equity derivatives), with all other variables held constant. The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increase shown. A decrease on the listed securities shown below would have an impact on the income or equity, depending on whether or not the decline is significant or prolonged. An increase in the listed securities shown below would impact equity in a similar amount but will not have an effect on income unless there is an impairment charge associated with it.

At 31 December 2013

32 FINANCIAL RISK MANAGEMENT (continued)

MARKET RISK (continued)

Equity price risk (continued)

Securities	Change in equity price	Effect on consolidated equity US\$ '000
2013		
CAC 40	+10%	8,715
2012		
Qatar Exchange	+10%	1,427
Saudi Stock Exchange	+10%	1,765
CAC 40	+10%	5,836

OPERATIONAL RISK

Operational risk is the risk of loss arising from systems and control failures, fraud and human errors, which can result in financial loss, reputational damage, legal penalty or regulatory censure. The Bank manages Operational Risk through appropriate controls (such as segregation of duties, checks and balances, and the work of audit and compliance) and an Operational Risk Management framework (ORM).

This framework adopts a three pronged approach - (a) self analysis by each bank department through the Operational Risk Self Assessment (ORSA) process, (b) loss event/data reporting, and (c) issue tracking. Oversight of the ORM is exercised by RMD and STC.

QInvest has also developed a Disaster Recovery (DR) site within Qatar and a Business Continuity Plan (BCP) to facilitate the resumption and continuation of business in the event of a disaster impacting the bank's Head Office. The Bank likewise transfers data outside Qatar into a repository facility based in Singapore. This would enable the Bank to re-build data from outside Qatar in the event of an "in-country" disaster

OTHER RISKS

Regulatory or Compliance Risk is controlled through a framework of compliance policies and procedures. During the year, compliance and AML policy manuals were modified to reflect the new AML/CFT legislations and QFCRA regulations. The process of on-boarding clients was further improved not only to capture the requirements of the 2010 FATF and Qatar legislation but also to include the prerequisites of the QFCRA's Conduct of Business Rulebook. In line with the Bank's efforts in raising compliance awareness amongst its employees, a number on specialized training sessions were conducted during the year focusing on the AML/CFT requirements, conflicts of interest, and corporate governance. Compliance training was also made part of the induction training agenda for new hires of the Bank.

Legal risk is addressed through the effective use of internal and external legal advisers. Reputational risk is addressed by effective procedures being drafted and implemented around all areas concerning press and publicity releases, document production and website design.

At 31 December 2013



32 FINANCIAL RISK MANAGEMENT (continued)

CAPITAL MANAGEMENT

Capital represents the shareholders' investment and is a key strategic resource which supports the Group's risk taking business activities. In line with Group's financial objective, management strives to deploy this resource in an efficient and disciplined manner to earn competitive returns. Capital also reflects financial strength and security to the Group's creditors and depositors. Capital management is fundamental to the Group's risk management philosophy, and takes into account economic and regulatory requirements.

The Group's regulator, the QFCRA, sets and monitors capital requirements for the Group as a whole. In implementing current capital requirements the QFCRA requires the Group to maintain a positive prescribed ratio of total capital to total risk-weighted assets. The minimum ratio prescribed by the QFCRA is 8%.

For calculating regulatory capital, the Group is following the QFCRA approaches for credit, market and operational risk management.

The Group's regulatory capital is analyzed into two tiers:

- Tier 1 capital includes ordinary share capital, share premium, retained earnings, and minority interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital includes the translation reserve and the investment fair value reserve relating to unrealized gains on equity instruments classified as fair value through equity, associates and jointly controlled entities.

Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items. Risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's policy is at all times to exceed the minimum capital requirements of the QFCRA. The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. There have been no material changes in the Group's management of capital during the year.

Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the internal capital requirements may be adjusted to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently from those responsible for the operation, and is subject to review by the Senior Management.

At 31 December 2013

32 FINANCIAL RISK MANAGEMENT (continued)

CAPITAL POSITION

CAPITAL POSITION	2013 US\$'000	2012 US\$'000
Total Risk Weighted Assets	830,059	747,813
Tier 1 Capital		
Share capital	750,000	750,000
Share premium	7,500	7,500
Reserves	3,101	(13,861)
Retained earnings	(30,027)	(33,163)
Total Tier 1 Capital	730,574	710,476
Tier 2 Capital		-
Total Capital Resources	730,574	710,476
Deductions from total capital resources	(25,944)	(27,140)
Total Adjusted Capital Resources	704,630	683,336
Total Capital Resources expressed as a percentage of total risk weighted assets	85%	91%



33 FAIR VALUE MEASUREMENT

33.1 Fair values

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

Fair value and classification of financial instruments at 31 December 2013

	Fair value through income statement US\$'000	Fair value through equity US\$'000	Amortized cost investment securities US\$'000	Loans and receivable US\$'000	Total carrying value US\$'000	Fair value US\$'000
Financial assets						
Cash and bank balances	-	_	-	35,732	35,732	35,732
Placements with banks	-	_	-	186,235	186,235	186,235
Financing assets	-	-	-	215,949	215,949	215,949
Investment securities	153,311	102,856	55,523	_	311,690	307,735
Assets of a subsidiary held for sale		_	-	2,295	2,295	2,295
Other assets				26,975	26,975	26,975
Total	153,311	102,856	55,523	467,186	778,876	774,921
Financial liabilities						
Due to banks				84,066	84,066	84,066
Financing liabilities				139,127	139,127	139,127
Liabilities of a subsidiary held for sale	-		-	1,447	1,447	1,447
Other liabilities			-	30,423	30,423	30,423
Total			_	255,063	255,063	255,063
Fair value and classification of financial instru	Fair value through income statement US\$'000	Fair value through equity US\$'000	Amortized cost investment securities US\$'000	Loans and receivable US\$'000	Total carrying value US\$'000	Fair value US\$'000
Financial assets						
Cash and bank balances			-	44,736	44,736	44,736
Placements with banks	-		-	263,201	263,201	263,201
Financing assets				95,724	95,724	95,724
Investment securities	176,078	101,212	48,781	_	326,071	325,471
Other assets			-	56,750	56,750	56,750
Total	176,078	101,212	48,781	460,411	786,482	785,882
Financial liabilities						
Due to banks				5,053	5,053	5,053
Financing liabilities	-		-	181,721	181,721	181,721
Other liabilities		_	-	21,222	21,222	21,222
Total				207,996	207,996	207,996

At 31 December 2013

33 FAIR VALUE MEASUREMENT (continued)

33.1 Fair values (continued)

The management assessed that cash and short-term deposits, other receivables, other payables, due to bank and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Long-term fixed-rate and variable-rate financing receivables/borrowings are evaluated by the Group based on parameters such as profit rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2013, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Fair value of the quoted sukuk is based on price quotations at the reporting date.
- Fair value of the unquoted ordinary shares has been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.
- Fair value of quoted available-for-sale financial assets is derived from quoted market prices in active markets.
- Unquoted available-for-sale equity investments are recorded at cost since their fair values cannot be reliably estimated. There are no active markets for these investments and the Group intends to hold them for the long term.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly profit rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. The Group use the counterparty banks valuations to measure the fair value of the derivative financial instruments.



33 FAIR VALUE MEASUREMENT (continued)

33.1 Fair values (continued)

Description of significant unobservable inputs to valuation:

	Valuation technique	Significant unobservable inputs	Range (Weighted average)	Sensitivity of the input to fair value
FVTPL assets in unquoted equity shares	DCF method	Long-term growth rate for cash flows for subsequent years	3% – 5%	1% increase (decrease) in the growth rate would result in increase (decrease) in fair value by US\$ 3.6 million/(US\$ 3 million)
		WACC	12% – 16%	2% increase (decrease) in the WACC would result in decrease (increase) in fair value by US\$ 8 million/(US\$ 11.8 million)
FVTPL assets in unquoted equity shares	Sum of parts	PE multiple for merchant banking business	12x – 14x (13x)	1% increase (decrease) in PE for merchant banking business, would result in an increase (decrease) of US\$ 1.6 million in the value of the Group stake.
		PB multiple for Non-banking finance comprises (NBFC)	1.4x – 1.6x (1.5x)	0.1% increase (decrease) in PB for NBFC business, would result in an increase (decrease) of US\$ 0.4 million in the value of the Group stake.

In case of AFS assets, the impairment charge in the profit or loss would depend on whether the decline is significant or prolonged. An increase in the fair value would only impact equity and, would not have an effect on profit or loss.

33.2 Determination of fair value and fair value hierarchy

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the closing trade price for the day. These instruments are included in level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivative) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

At 31 December 2013

33 FAIR VALUE MEASUREMENT (continued)

33.2 Determination of fair value and fair value hierarchy (continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Using recent arm's length market transactions between knowledgeable, willing parties and reference to recent sales transactions of the same or similar securities.
- If available, reference to the current fair value of another instrument that is substantially the same.
- Discounted cash flow analysis and option pricing models.
- Capitalization of earnings analysis, such as EBITDA multiple analysis.
- Net asset valuation methodologies are used for valuing investments in businesses whose value is derived primarily from the underlying value of their tangible assets rather than their performance.

Fair value measurement using

• Other appropriate valuation techniques.

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2013:

			Fair value measurement using		
Assets measured at fair value:	Date of valuation	Fair Value US\$'000	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000
Designated at fair value through	31 December 2013				
income statement investments (Note 7.1):					
Unquoted equity shares		97,007	-	_	97,007
Quoted debt securities		15,305	15,305	_	_
Unquoted sharia'a funds		40,999	40,999	_	_
		153,311	56,304	_	97,007
Available-for-sale financial investments (Note 7.2):	31 December 2013				
Quoted equity shares		87,149	87,149	_	_
Unquoted equity shares		10,549	_	_	10,549
Mutual funds		5,158	_	_	5,158
		102,856	87,149	_	15,707
Investment properties (Note 10):	31 December 2013				
Office properties		72,266	_	_	72,266
Derivative financial assets (Note 11.1):	31 December 2013				
Derivative finacnial instruments		3,730	_	3,730	
Total		332,163	143,453	3,730	184,980

Notes:

(i) There have been no transfers between Level 1 and Level 2 during the period.

(ii) Unquoted sharia'a funds

Underling investment of these funds are in publicly traded equity securities and NAV of these funds are based on quoted market prices, or binding dealer price quotations, in an active market for identical assets without any adjustments. Depending on the nature of the underline investments, the Group classifies these funds as within Level 1 of the hierarchy.

At 31 December 2013



33 FAIR VALUE MEASUREMENT (continued)

33.2 Determination of fair value and fair value hierarchy (continued)

Quantitative disclosures fair value measurement hierarchy for assets as at 31 December 2012:

			Fair value measurement using			
Assets measured at fair value:	Date of valuation	Fair Value US\$'000	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Designated at fair value through						
income statement investments (Note 7.1):	31 December 2012					
Unquoted equity shares		114,141		_	114,141	
Quoted debt securities		11,495	11,495	_	-	
Unquoted sharia'a funds		50,442	50,442	_	-	
		176,078	61,937		114,141	
Available-for-sale financial investments (Note 7.2):	31 December 2012					
Quoted equity shares		90,276	90,276		-	
Unquoted equity shares		5,549			5,549	
Mutual funds		5,387		_	5,387	
		101,212	90,276	_	10,936	
Investment properties (Note 10):	31 December 2012					
Office properties		76,352			76,352	
Derivative financial assets (Note 11.1):	31 December 2012					
Derivative finacnial instruments		272		272	_	
Total		353,914	152,213	272	201,429	
Unrealized gains/(losses) For the year ended 31 December 2013			Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
Recorded in income statement			4,944		(1,750)	
Recorded in equity during the year			19,099		(121)	
Unrealized gains/(losses) For the year ended 31 December 2012			Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	
Recorded in income statement			(13,993)		(48,463)	
Recorded in equity during the year			11,814	-	_	

At 31 December 2013

33 FAIR VALUE MEASUREMENT (continued)

33.2 Determination of fair value and fair value hierarchy (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

Fair value through income statements investments US\$'000	Fair value through equity investments US\$'000	Investment properties US\$'000	Total US\$'000
114,141	10,936	76,352	201,429
-	-	(7,214)	(7,214)
_	(229)	-	(229)
	5,000	-	5,000
(13,133)	-	-	(13,133)
(4,001)		3,128	(873)
	_	-	-
97,007	15,707	72,266	184,980
Fair value through income statements investments US\$'000	Fair value through equity investments US\$'000	Investment properties US\$'000	Total US\$'000
204,791	5,549	80,646	290,986
(48,464)	-	(5,558)	(54,022)
68,460	-	-	68,460
(96,312)	-	-	(96,312)
(2,839)	-	1,264	(1,575)
(11,495)	5,387	-	(6,108)
114,141	10,936	76,352	201,429
	through income statements investments U\$\$'000 114,141	through income statements investments us\$'000 114,141 10,936	through income statements investments investments investments investments investments us, 13, 128 -

At 31 December 2013



34 COMPARATIVES

The Group reclassified the followings financial statement amounts as of 31 December 2012,

- (i) Verdi Luxembourg SARL, 100% owned subsidiary, has been represented as normal subsidiary due to change in management plans. The asset and liabilities of Verdi Luxembourg SARL have been retrospectively reclassified in the consolidated financial statements of the Group.
- (ii) Gain on a partial disposal of an entity for the year ended 31 December 2012, amounting to US\$ 3,051 thousand was reclassified to net gain/(loss) on investment securities since it is related to an investment designated at fair value through income statement.
- (iii) Due to bank at 31 December 2013, amounting to US\$ 54,286 thousand was reclassified to financing liabilities as those amounts were financing liabilities as of that date.

The impact of above reclassifications on the consolidated financial position is provided below:

	2012 As represented	As previously
		As previously disclosed US\$'000
	US\$'000	
ASSETS		
Cash and bank balances	44,736	40,418
Placements with banks	263,201	263,201
Financing assets	95,724	95,724
Investment securities	326,071	326,071
Assets of a subsidiary held for sale	-	80,670
Investment in an associate	27,140	27,140
Investment properties	76,352	-
Other assets	85,248	85,248
TOTAL ASSETS	918,472	918,472
LIABILITIES AND EQUITY		
Liabilities		
Due to banks	5,053	59,339
Financing liabilities	181,721	74,535
Liabilities of a subsidiary held for sale	-	56,369
Other liabilities	21,222	17,753
Total liabilities	207,996	207,996

At 31 December 2013

34 COMPARATIVES (continued)

The impact of above reclassifications on the consolidated income statement is provided below:

	2042	2012
	2012 As represented	As previously disclosed
	US\$'000	US\$'000
Income from placements with banks	2,544	2,544
Income from financing assets	5,096	5,096
Net gain/(loss) from investment securities	(18,865)	(21,916)
Fee and commission income	39,994	39,994
Foreign exchange losses	(2,413)	(2,413)
Gain on partial disposal of an entity		3,051
Share of results of an associate	65	65
Gain on sale of a subsidiary		
Net (loss)/gain from investment properties	208	-
Other income	<u> </u>	-
Net operating income	26,629	26,421
Staff costs	(31,434)	(31,434)
General and administrative expenses	(13,844)	(13,168)
Depreciation and amortisation	(1,973)	(1,973)
Total operating expenses	(47,251)	(46,575)
Profit/(loss) from operations	(20,622)	(20,154)
Finance expenses	(8,528)	(5,133)
Net impairment loss on investment securities	(15,621)	(15,621)
Net impairment loss on other financial assets	(10,839)	(3,126)
Loss before tax from continuing operations	(55,610)	(44,034)
Tax credit/(expense)	(1,598)	(1,598)
Profit/(loss) after tax from continuing operations	(57,208)	(45,632)
Discontinued operations		
Profit from a subsidiary held for sale		(11,576)
PROFIT/(LOSS) FOR THE YEAR	(57,208)	(57,208)

The above reclassifications did not have an impact on the previously reported net profit or retained earnings of the comparative year.



QInvest LLC

Doha, Qatar Tornado Tower, 39th Floor West Bay, Doha

P.O. Box: 26222 State of Qatar

Tel: +974 4405 6666 Fax: +974 4444 8446 Email: info@qinvest.com Website: www.qinvest.com

Authorized by the QFC Regulatory Authority Under the License No. 00048

QInvest Saudi Arabia Company

Riyadh, Kingdom of Saudi Arabia Akaria Plaza, Level 6, North Wing, Gate D P.O Box 250249, Riyadh 11391 Kingdom of Saudi Arabia

Tel: +9661 1486 8401 Fax: +9661 1486 8550 Email: info@qinvest.com.sa

Licensed by the Capital Market Authority Under License No. 11152-36

QInvest Turkey Representative Office

Istanbul, Turkey Astoria Residence A Blok D: 1901 Buyukdere Cad. No. 127 34394 Esentepe Turkey

Turkey

Telephone: +90 212 215 2066 Fax: +90 212 2152063 Email: info@qinvest.com Website: www.qinvest.com

QINVEST Turkey Representative Office is regulated and supervised by the

Banking Regulation and Supervision Agency (BRSA)

Note: "\$" refers to US Dollars throughout this document