Strategic growth creating sustainable value

Annual Report 2015

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


Towers

QNB Group has been a trusted financial partner for more than 50 years, a journey we commenced in 1964 as the first Qatari-owned bank.

Through controlled growth, we aspire to realise our vision to be a Middle East and Africa (MEA) Icon by 2017.

Our vision encompasses connecting and enabling growth across multiple, strategically selected regions as a 'Gateway to the Middle East and Africa' – creating sustainable value for individuals, institutions, countries and our shareholders.

Read more about our strategy on page 17

Operational highlights

Net profit
QR11.3 bn +8%

Assets
QR538.6 bn +11%

Operating income
QR16.3 bn +3%

Earnings per share
QR16.1 +8%

Read more about our operational performance on page 25

Board of Directors

H.E. Mr. Ali Shareef Al-Emadi

Chairman of the Board of Directors

Member since 2013

H.E. Sheikh Jassem Bin Abdulaziz Bin Jassem Bin Hamad Al-Thani

Vice Chairman

Member since 2004

H.E. Sheikh Khalid Bin Hamad Bin Khalifa Al-Thani

Member of the Group Policies, Development, Governance and Remuneration Committee

Member since 2013

H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani

Chairman of the Group Executive Committee

Member of the Group Policies, Development, Governance and Remuneration Committee

Member since 2004

H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani

Member since 2015

Mr. Bader Abdullah Darwish Fakhroo

Member of the Group Executive Committee

Member since 2001

Mr. Rashid Misfer Al-Hajri

Chairman of the Group Audit and Compliance Committee

Member since 1998

Mr. Ali Hussain Ali Al-Sada

Member of the Group Executive Committee

Member since 1998

Mr. Fahad Mohammed Fahad Buzwair

Chairman of the Group Policies, Development, Governance and Remuneration Committee

Member of the Group Audit and Compliance Committee

Member since 2001

Mr. Mansoor Ebrahim Al-Mahmoud

Member of the Group Audit and Compliance Committee

Member since 2004

Chairman of the Board of Directors' statement

QNB Group continued its successful expansion through controlled growth

Our growth has been strategic, focused and targeted on the Middle East, Sub-Saharan Africa and Southeast Asia – regions with the most promising growth outlook within the global economy.

On behalf of the Board of Directors, I am pleased to introduce QNB Group's Annual Report for 2015. Building on our history of more than 50 years in business, our achievements this year have helped us advance further towards our vision of becoming a Middle East and Africa (MEA) Icon by 2017.

QNB Group continued its successful expansion through controlled growth. Our growth has been strategic, focused and targeted on the Middle East, Sub-Saharan Africa and Southeast Asia, regions with the most promising growth outlook within the global economy.

While the world's economy faces a number of challenges, we are very grateful for the firm foundation that Qatar provides for QNB Group. Its macroeconomic environment is one of the strongest in the MEA region, despite lower oil prices, driven by the non-hydrocarbon sector growth. Spending on major infrastructure projects underpins this growth. This has continued apace, as the government has reaffirmed its commitment to its infrastructure investment programme, moving towards the goals of Qatar's National Vision 2030. In this context, the banking sector in Qatar continues to record strong growth, with QNB Group successfully leveraging its position as the leading financial institution in the country.

In line with our vision, QNB Group is capitalising on its experience in Qatar to expand internationally. We opened a representative office in Vietnam and obtained licence approval for Myanmar, connecting us with two of the most promising and fast-growing economies in Asia. QNB Group has also received approval to operate in Saudi Arabia, the Middle East's biggest market. These are only a few examples of the positive strides we have taken in 2015 to diversify QNB's business.

In December 2015, QNB Group entered into a definitive agreement with the National Bank of Greece for the acquisition of its entire stake comprising 99.81% in Finansbank A.Ş (Finansbank) in Turkey. QNB Group expects to finalise the transaction during the first half of 2016.

Finansbank is the fifth largest privately owned universal bank by total assets, customer deposits and loans in the Turkish market. Finansbank has grown organically into a full service financial institution with an independent and experienced management, nationwide

8%
growth in net profit

31%
international contribution to net profit

distribution network of 647 branches and over 5.3 million customers. As of 30 June 2015, Finansbank had USD29.0 billion of assets, USD19.5 billion in loans and USD14.6 billion in deposits and total equity amounted to USD3.6 billion as per International Financial Reporting Standards.

As one of QNB's most important ways to contribute to Qatar's National Vision 2030, we enhanced our Small and Medium Enterprise (SME) centre in Doha, acting as an adviser and incubator to nurture the development of the private sector and the domestic business community. We also continued to assist individual Qataris to fulfil their aspirations and acted as a strong supporter of local businesses.

As it has done in Qatar, QNB Group is aiming, through its expansion and new market entries, to help individuals, institutions and countries fulfil their aspirations. From small businesses to key, nationwide infrastructure projects, the Group is assisting countries on their own journey of prosperity. Importantly, the Group's increasing geographic diversification not only assists in growing the Group's bottom line but also positively contributes to lowering the inherent risk and volatility of our business. In 2015, international growth contributed 31% to net profit, having grown from 28% in 2014. By 2017, this contribution is expected to reach 40%.

This year has seen the best performance in the Group's history – 8% growth in net profit to QR11.3 billion. Based on these results, the Board of Directors is recommending to the General Assembly the distribution of a cash dividend at the rate of 35% of the nominal value of the share, equating to QR3.5 per share, and bonus shares at the rate of 20% of the share capital (equating to two shares for every ten).

In closing, and on behalf of the Board of Directors, I express our deep appreciation and gratitude to His Highness the Emir, Sheikh Tamim Bin Hamad Al-Thani, for his continued support and guidance. The Board also expresses its appreciation to His Excellency Sheikh Abdullah Bin Nasser Bin Khalifa Al-Thani, the Prime Minister and Minister of the Interior, for his constant support. Our appreciation is also extended to His Excellency Sheikh Abdullah Bin Saud Al-Thani, the Governor of Qatar Central Bank, for his dedicated efforts to promote Qatar's banking sector.

I would like to conclude by offering our sincere thanks to our customers, business partners and employees, who jointly form the cornerstone of our success. With this deep support and QNB Group's clear strategy for future growth, we believe we are well positioned to maximise shareholder returns over the long term and make a real and positive difference across many countries and regions.

Ali Shareef Al-Emadi
Chairman of the Board of Directors

Group Chief Executive Officer's statement

In 2015, we have been able to create meaningful value for a wide range of stakeholders

Successfully executing our strategy has helped QNB Group enhance its status as a strong and trusted bank.

I am pleased to have this opportunity to highlight QNB Group's achievements and the value it has created in 2015. In this year's Annual Report, we have evolved the way we report on our business. I believe it clearly illustrates both the success we are having on our journey to become a MEA Icon by 2017, and how we are ensuring a sustainable future for the business – both in Qatar and around the world.

I am particularly pleased to note that in 2015, we have been able to create meaningful value for a wide range of stakeholders. Each of our businesses – Corporate and Institutional Banking, Retail Banking, Asset and Wealth Management and International – successfully executing our strategy has helped QNB Group enhance its status as a strong and trusted bank. Our activities this year illustrate how we are diversifying our revenue streams by moving strategically into new products, services, markets and regions. This adds additional robustness to QNB Group and enables us to help more individuals, organisations and countries fulfil their aspirations.

In the corporate sector, QNB acted as lead arranger on a number of major deals in Qatar, maintaining our dominant

QR388.3 bn +15%
net loans

QR395.2 bn +11%
deposits

21.5%
cost to income ratio

16.3%
capital adequacy ratio

share in the domestic market. QNB was involved in a wide range of landmark real estate and infrastructure projects. In addition, we were all proud when the corporate team launched our new one-stop shop, the SME Centre in Doha. This important addition to Qatar's banking landscape will support small and medium enterprises in meeting their aspirations, while making an important contribution to the realisation of Qatar's National Vision 2030.

Beyond Qatar, we captured extensive business opportunities flowing both into and out of Qatar and the broader Middle East, Africa and Southeast Asia regions. Significant steps were taken to embed QNB Group as the financial 'gateway' to the MEA region by building out our global wholesale banking capabilities and adding further robustness across key hubs in MEA, Asia and Europe. Underpinning our steady expansion into new markets has been the opening of a new representative office in Vietnam and preliminary approvals for branches in Myanmar and the Kingdom of Saudi Arabia.

The logic of our ongoing strategic expansion into new territories was illustrated this year, when we acted jointly with our strategic partner Ecobank Transnational Incorporated (ETI) on several mandates, leveraging the synergies across our complementary offerings, networks and strengths. This is a strong indication of the benefits that will flow to QNB over the years to come from this partnership, assisting us to become one of the leading banks in Sub-Saharan Africa – a region with immense potential.

In Retail Banking, we continued to meet the needs of our customers through a range of technical innovations within our product and service offerings. An example is the introduction of an iris-scanning technology in some of our ATMs in Qatar to make banking more convenient and secure. For our QNB First customers, we enhanced our Global Recognition Programme offering with a wide range of additional lifestyle-enhancing options across our network, such as cross-border mortgages.

Retail also continued to work closely with our Asset and Wealth Management (AWM) business, to help customers preserve and enhance their wealth. In 2015, AWM maintained its leading share among the HNWI segment and its dominant position in Qatar's asset management market. In addition, QNBFS, our brokerage business, also secured an 18% share of Qatar Stock Exchange's traded value – a remarkable achievement after only three years of operation.

Our International business successfully acted upon its mandate as a conduit to connect and enable divisions, countries and regions across the network. This has helped the Group execute its strategy and plan for expansion, while ensuring we have the appropriate risk and governance architecture to support our growth.

A highly talented team from around 80 different countries is supporting each of these business lines. Equally, we are proud that our Qatarisation efforts, which are in line with the Qatar National Vision 2030, have created a local Qatari workforce of more than 51%. This provides a wide range of career opportunities for nationals. To be an employer of choice, we actively promote a culture of mutual trust, loyalty, meritocracy and respect in our highly diverse environment.

I am particularly pleased that this year we have once again been ranked as one of the world's 50 safest banks by Global Finance – a distinction that we have had every year since 2012. In addition, QNB Group was ranked among the top 100 global banking brands and the leading banking brand in MEA, with a brand value of USD2.6 billion, by Brand Finance. Another significant recognition was that we again secured the 'Best Bank in the Middle East' award by Euromoney. All of these successes, and the many other achievements we discuss throughout this report, continued to build on QNB's reputation as one of the world's trusted banks. This has been recognised by international rating agencies, which in 2015, maintained the Bank's top-tier rating – underpinned by a stable outlook.

None of our successes would be possible without our people, our partners and the support of our Board of Directors. With their steadfast and clear focus on our strategy, 2015 has been a very successful year. It positions us to both reach our vision of becoming a MEA Icon and to continue as a sustainable business, creating value for our shareholders, our customers and our host communities for decades to come.

Ali Ahmed Al-Kuwari
Group Chief Executive Officer

QNB Group was ranked among the top 100 global banking brands and the leading banking brand in MEA, with a brand value of USD2.6 billion, by Brand Finance.

Strategic report

To fulfil our purpose as a bank to provide capital and financial security, QNB Group has set itself the aim to become a MEA Icon by 2017. We will achieve this in accordance with our guiding principles. We will fulfil our aim (page 13) by effectively leveraging our operating environment (page 15) through our strategy (page 17) which is supported by our performance aspirations (page 18). Through these steps, we are creating meaningful value for individuals, organisations, countries and our shareholders.

Purpose

Why we exist

QNB Group is a strong and highly rated bank, which is leveraging its unique competitive advantages to secure sustainable value for our stakeholders.

Aim »

Through our banking activities, we act as a financial intermediary, which provides capital and financial security to facilitate development in the markets we operate in. By doing this, we help fulfil a broad range of aspirations by accelerating economic growth for individuals, organisations and countries.

We are grateful for the opportunity we have had to become an integral part of Qatar's development and transformation into a thriving and successful economy. Today, Qatar provides a high quality of life and standards for its citizens – the ultimate measure of any nation's success.

Working as a partner with the Qatari government, its institutions, enterprises and individuals, we helped support the development of the oil and gas industry, the key driver of the economy. Currently, we are supporting the enhancement of the country's infrastructure, including airports, ports, power stations, roads, telecoms, airlines, real estate, hospitals, water treatment plants and education facilities. We are also helping to create a thriving economy of private businesses as a trusted partner to a wide range of industries and sectors, as the country continues its journey of economic diversification.

We are bringing our experience in Qatar to multiple markets across the globe.

Across the Middle East, Africa, Asia and Europe we are helping individuals, institutions and countries fulfil their aspirations as we endeavour to do in Qatar. We do this by fulfilling their needs for banking and financial services, and as a successfully run business, generating sustainable value.

This fundamental purpose motivates us to perform to the highest standards every day.

Pages 18-20 »

Read our performance aspirations to see how our Purpose is driving us to become an Icon in the Middle East

QNB Group's aim

Becoming a MEA Icon to meet our purpose

All of QNB's activities and strategic plans are formulated towards a common vision: to be a Middle East and Africa Icon by 2017.

Our guiding principles »

With this vision in mind, we aim to effectively meet the banking and financial needs of individuals, organisations and countries. Our aspiration unites all of our businesses and people to strive to achieve sustainable growth.

For us, becoming a MEA Icon means:

- We are a leading facilitator of economic development;
- We are a key contributor to enhancing the societies in which we operate;
- We are a beacon of responsible business and conduct well beyond the financial industry;
- We have secured the respect of our stakeholders; and
- We are a business that leads in its core areas of operation.

We will achieve this vision through excellence in both our behaviours and in the execution of our core activities as a financial institution. Ultimately, we will be judged by our ability to bring together business success and profitability with responsible and ethical operations.

Our vision is not an endpoint in itself but an essential cornerstone of success on our journey as a sustainable business – achieving our purpose by facilitating economic development in our markets of operation.

How we will achieve our vision is illustrated throughout this report. It includes:

Having a clear set of objectives that directly link to our principles, including being a trusted brand, being an employer of choice, maintaining a strong rating and continuing to achieve sustainable growth by supporting a wide range of regions, organisations and individuals;

Guiding principles see page 14 »

Understanding our operating environment and successfully capturing opportunities in new regions, new customer segments and across new product offerings;

Operating environment see page 15 »

Formulating a strategy that is fit for purpose and that can leverage our business model to maximise shareholder returns;

Strategy see page 17 »

Creating meaningful and sustainable value that encompasses both financial returns and profitability, as well as making a positive contribution to the communities that host our operations;

Value creation see page 22 and CSR page 55 »

Ensuring each of our business divisions are aligned by linking their activities directly to our vision; and

Operational performance see page 25 »

Our strategy includes operating responsibly and in accordance with **best practice principles of governance, risk and sustainability.**

Corporate governance see page 43 »
Sustainability see page 59 »

Guiding principles

Values and activities to achieve our purpose and aim

We are guided by straightforward, common values that underpin our activities in meeting our purpose and aim.

Operating environment »

These are specific to our business. They enable us to fulfil our purpose and achieve our aim by uniting our business and our people behind a clear set of aspirations and way of working. They can be distilled down to four words: strength, trust, support and growth.

Strength

We are a bank with robust financial stability, top-tier ratings and capital strength. We also have the strength of a highly capable team of more than 15,200 performance-driven employees, robust processes and infrastructure to support our activities.

Trust

We operate to the highest standards of integrity and treat our employees, business partners, customers and host communities with respect. We seek to align our goals with theirs while operating in an atmosphere of mutual trust and teamwork.

Support

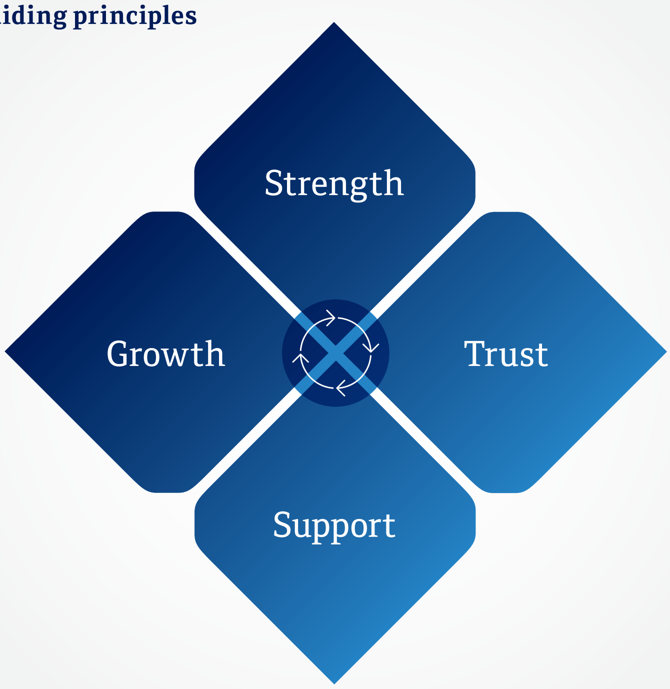
Our products and services support individuals, institutions, countries and regions to fulfil their aspirations – both in their overarching aim for a higher quality of life as well as sustainable economic development.

Growth

We will continue to capture opportunities for sustainable growth. This means both in the products and service offerings to our customers, and in the expansion into new geographic territories. We cannot stand still in a market that is constantly evolving and highly competitive.

By following these guiding principles, QNB Group will continue to be a business that creates sustainable and meaningful value for our customers, our partners, our host communities and our shareholders – for decades to come.

Our guiding principles



Page 17 »

Read about our strategy to see how we will secure sustainable value

Operating environment

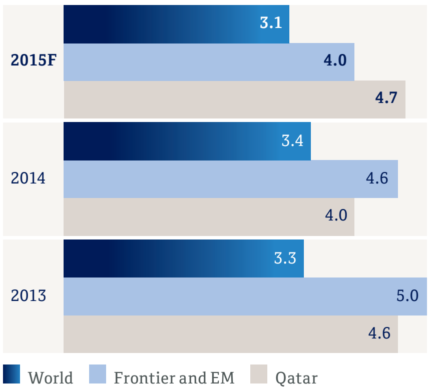
Challenging global headwinds

QNB has a deep understanding of its operating environment to strategically position itself – in accordance with Group principles.

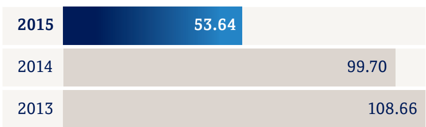
Operating environment continued »

4.7%
growth in Qatar's economy in 2015

GDP growth %



Brent oil price USD/barrel



Pages 18-20 »
Read about our six performance aspirations that will help us deliver our strategy

Although the global operating environment for banking and finance has been challenging, our strategic, regional focus is enabling us to capture exciting opportunities.

In 2015, the global economy was dominated by three forces: the slowdown in China, the fall in commodity prices, especially oil, and the prospect of higher interest rates in the US. In recent years, Chinese growth has been on a downward trajectory as the rebalancing of the economy is leading to slower investment growth. As the world's biggest consumer of commodities, the slowdown in China has reduced demand and led to a general fall in commodity prices throughout 2015. In particular, oil underperformed other commodities as it was also subjected to supply shocks from the US, OPEC and potentially higher exports from Iran. In addition, the prospect of higher interest rates in the US also resulted in volatile moves in foreign exchange markets, a stronger US dollar and capital flight from emerging markets (EMs).

All of these macro effects, combined with the continuing repercussions from the 2008 global financial crisis, continued to negatively impact many global, and to a lesser extent regional, banks.

Selective opportunities in frontier and emerging markets

Pockets of opportunities exist in Sub-Saharan Africa and Southeast Asia

Despite the global headwinds in 2015 that have impacted African and Southeast Asian markets, there are pockets of opportunities as they continue to require investment and trade flows to support economic development.

Due to capital and regulatory constraints in their home markets, many global banks are strategically not pursuing many of these opportunities as aggressively as in the past decade.

Middle East and North Africa (MENA)

The impact of these headwinds is starkly different for oil importers in comparison to oil exporters. MENA oil importers benefited from lower oil prices, resulting in these economies accelerating to 3.8% real GDP growth in 2015. In addition to lower commodity prices, economic reforms, greater political stability in selected countries and the recovery in the Euro Area, a major trading partner, were the key drivers.

Among the oil exporters, the GCC economies have outperformed other MENA oil exporters as their efforts to diversify from dependency on oil is gradually coming to fruition. GCC economies slowed marginally to 3.3% in 2015 from 3.4% in 2014, as government spending continued to support growth in non-hydrocarbons, and oil production increased.

Qatar

Qatar's economy grew by an estimated 4.7% in 2015 as double-digit growth in the non-hydrocarbon sector offset flat production in the hydrocarbon sector. This demonstrates the government's efforts to diversify away from dependency on hydrocarbons, driven by higher government investment in major infrastructure projects.

> 'Global banks...have refocused their activities on some key markets, leaving space for other banks to expand'
>
> IMF global financial stability report: navigating monetary policy challenges and managing risks.
>
> Published April 2015

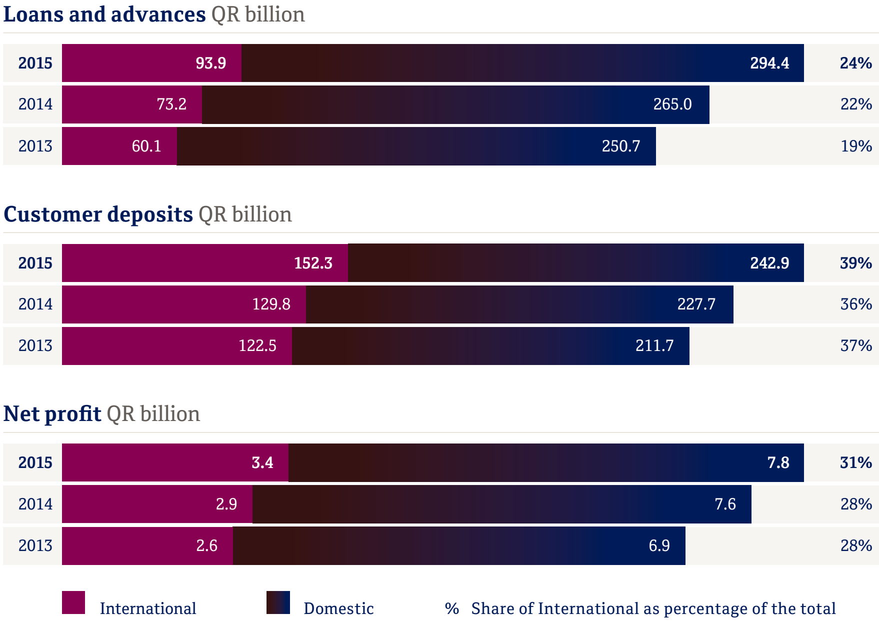
Operating environment
continued

Strategically positioned for growth

Although recent macroeconomic headwinds do present challenges to our industry, the Middle East, Africa and Southeast Asia continue to be the focal points for global growth. These regions require trade and investment flows to support the building of the foundations for socio-economic development such as infrastructure, including transport, real estate, power, telecoms, healthcare, education and tourism. This will, in turn, also drive population growth, consumer demand and consumption, resulting in higher economic growth across these markets.

By strategically positioning our business in these key growth corridors, we are securing our vision to become a MEA Icon. We believe that, through our own network as well as through our partners and alliances, we have the necessary local knowledge, niche expertise and understanding of the risks and opportunities to successfully create and capture significant value in those markets. This positively contributes to QNB's growth and adds additional strength to our Group by diversifying our sources of revenue and profit.

Increasing geographical diversification positively contributes to growth



QNB Group's strategy

A clear strategy for growth

We have formulated an effective strategy to leverage our operating environment and secure sustainable value.

Strategic pillar and focus	Steps taken and achievements in 2015	Plans to 2017
Protect dominant market position in Qatar Significantly grow market share and profitability in the private commercial sector Grow profitability and contribution in the retail business	Reduced coverage teams' load ratios in contracting and commercial segments Ramped up structured finance and investment banking teams Launched a dedicated SME centre in Qatar Reduced overall servicing time for SME customers Reduced RM load ratios in QNB First and QNB Private Upgraded our mobile banking platform to offer a broader range of services to customers Streamlined and automated our credit and back office processes for corporates and consumers	Increase transaction banking's share of wallet within Qatar Enhance specific SME value proposition Further enhance customer experience in our physical branch network Develop innovative services across the consumer banking multichannel mix Deepen our product offering for high net worth and ultra-high net worth customers Continue to expand our share in the private sector
Accelerate international growth Build a specialised international wholesale bank Expand asset and wealth management Significantly focus and scale up current international footprint Selectively explore inorganic opportunities	Launched a Group-wide programme to build global wholesale banking capabilities to holistically serve MNCs Established global coverage teams and product specialists across our regional hubs in Asia, MENA and Europe Launched a Group-wide programme to augment private banking and asset management capabilities and value proposition in selected markets Rolled out an e-business corporate internet banking platform internationally Rolled out automated back office capabilities for trade finance across regional hubs Launched a dedicated international FI strategy and coverage model Launched a programme to embed a risk culture across all of QNB Group Launched the global domain qnb.com	Continue to expand business origination centres Refine the value proposition and position QNB as a niche player Ramp up our international asset management fund offering across selected markets Strengthen fund distribution capabilities in Europe, Asia and Africa Enhance QNB's risk appetite to support growth in new geographies and segments/sectors Continue to expand structured finance capabilities across regional hubs Augment the QNB First international offering through additional value-added services Deepen relationships with our strategic partners across MEA Continue to strengthen our infrastructure capabilities across regions to improve efficiency

Pages 22-23 »

Read about how we create meaningful value through a focused approach to our principles, strategy and market differentiation.

Delivering sustainable results

To deliver our strategy we have a set of six performance aspirations.

We were delighted to be awarded
Best Bank in the Middle East
by the international finance magazine Euromoney in 2015 and
Best Bank in Qatar in 2015
by The Banker Middle East

QNB Group's ratings are a testament to our capital strength, strategic expansion, governance, prudent risk management, business and operating model.

1. To maintain a strong rating

Excellent ratings enable us to maintain funding and access global capital markets while helping us execute our plans effectively, in line with our strategic goals.

Strength is the fundamental element which inspires institutional, corporate and individual customers to bank with us and for investors and markets to believe in us.

A determinant of a financial institution's strength is the rating that key agencies ascribe to it. These ratings, in turn, affect the Bank's capacity to borrow and whether the rates at which it can borrow are favourable in the context of the prevailing market. By being able to secure favourable funding, the Bank (or indeed, any business), can, in turn, fund its strategic plans, growth and day-to-day operations.

QNB Group's ratings are a testament to our capital strength, strategic expansion, governance, prudent risk management, business and operating model.

2. To be a financial institution of choice

In our chosen regions of operation, we want prospective customers to have QNB at the forefront of their mind when considering a financial institution. We want current customers and partners to be advocates for our business. We also want countries and regions to view us as a valued participant and partner in their economies and business landscape.

We will meet these goals by operating our business with professionalism, independence and objectivity, impeccable integrity and ethical conduct – listening and responding to our customers, business partners and employees in an atmosphere of mutual respect and trust.

QNB Group has top-tier ratings from international rating agencies

	Moody's	S&P	Fitch	Capital Intelligence
LT	Aa3	A+	AA-	AA-
ST	P-1	A-1	F1+	A1+
Outlook	Stable	Stable	Stable	Stable

Pages 25-41

To read more about the activities we have undertaken this year to achieve our goal to become a financial institution of choice, go to our Operational performance section

Our capital adequacy ratio is comfortably higher than the regulatory minimum

3. To be an employer of choice

Our employees are paramount to our business success, and we treat them with loyalty and respect in the context of a performance-driven institution. This extends from our branch staff, guiding our customers to products that suit their needs and circumstances, through our Corporate Relationship Managers, arranging effective financing structures for global businesses and countries, to our operational staff, ensuring that the interactions of customers with QNB are seamless.

We are proud that we are regularly placed among the top employers in the MEA region. However, we are not complacent – particularly because we are expanding across the globe. We must ensure that, as an organisation, we are able to attract and retain highly talented people in countries as diverse as Singapore, Indonesia, China, India, Egypt, Oman, Kuwait, Tunisia, France, Switzerland and the United Kingdom.

As this selection of countries makes clear, we are a hugely multicultural institution – in fact, we have some 80 different nationalities represented across our operations. To be an employer of choice we actively promote a culture of mutual trust, loyalty, meritocracy and respect in our highly diverse environment. All employees, on commencement, must sign our Code of Ethics and Conduct, which includes an obligation to act in accordance with the principle of treating others as we would like to be treated ourselves.

We do not see obligations as falling only on our employees – the obligation is mutual between QNB and our people.

We know that by offering our employees the training and opportunities commensurate with their skills and abilities, all will benefit. This includes embracing gender diversity and promoting women to senior roles across our regions of operation. This also encompasses offering opportunities to entry-level graduates – for example, in our Doha offices we welcomed 73 students to our summer internship programme. Equally, we are proud that our Qatarisation drive, which is in line with the 2030 National Vision, has created a local Qatari workforce of more than 51%.

The opportunities we can now provide employees across Asia, Europe, the Middle East and Africa, combined with our strong culture of respect, are reflected in our industry-leading low staff turnover rate: as at October 2015, it stood at only 7.7%. This is a figure that every employee and member of the management team can be proud of.

4. To be a leading brand

We recognise that our brand does not exist in isolation – indeed our brand must encapsulate all that we stand for. In our tagline 'Thinking Beyond', we encapsulate three distinct brand values that will guide what we say and how we behave. All activities we undertake must reinforce our core brand values, to ensure continued trust in our brand.

We believe we are well on track to become a leading brand. This year we were ranked 'Best Bank Brand' in the Middle East and Africa for 2015 by The Banker magazine.

We were also pleased that, in 2015, our brand value increased to USD2.6 billion.

Pages 55-61
To read more about how we work to be an employer of choice, see our CSR section

QNB's focus is on improving the skills, knowledge and behaviour of all our employees so we have the right people, in the right role at the right time.

Delivering our strategy continued

>15,200
employees worldwide

>1,395
ATMs

>635
branches

This represented a 44% increase on 2014 and saw QNB rise to 79th place globally in the Brand Finance rankings of the World's Top 500 Banking Brands. This improvement of 22 places on the 2014 rankings is a testament to the combination of continuing robust financial performance and our ongoing successful international expansion.

5. To stand out in terms of customer service

The customer experience is at the forefront of all our activities. Our aim is that every customer – from individuals to the largest global corporation – receives excellent value from us and that we always appropriately support their needs and guide them in their financial and business aspirations. We believe that listening to, and understanding, our customers is our core competency, given that our customers are also QNB's greatest advocates in the market.

For us to stand out in customer service requires excellence in people, technology and processes through to clearly understanding and responding to our customers' needs. These do not operate in isolation, but reinforce each other.

In 2015, we were recognised for our efforts in the past and we also undertook numerous activities to secure our standing in the eyes of our customers for the future. For example, we were pleased to be recognised for the Best Credit Card Product and Best Direct Bank by The Asian Banker magazine, Best Bank in Qatar by The Banker Middle East and the Best Bank in the Middle East in 2015 by Euromoney.

Enhancing the customer experience
As rewarding as it is to be recognised by the industry, it is our customers' experience with us that will truly cement our standing as a MEA Icon and ensure our sustainable future.

To enhance our customers' experience, we launched numerous new products and services in 2015. We released a modern and convenient mobile banking application and were the first bank in Qatar to launch an iris scan to access ATM services without a need for a card or remembering a password – creating a more convenient banking experience.

Embedding security for customer trust
A cornerstone of the customer experience is the confidence in our security and our ability to securely store the data that customers entrust with us. Another link in our security chain was inserted this year when our customer care centre received ISO 27001:2013 certification, which is the latest international standard for management of information security.

We discuss how we are achieving our aim to stand out in terms of customer service throughout the Operational performance section of this report, and the steps we take to preserve our customers' trust in the Governance and Risk section.

6. To continue to have profitable, sustainable growth

To meet our purpose and vision and create value for our shareholders, all our plans and activities should enable our business to achieve profitable, sustainable growth – now and over the long term. We do this by effectively leveraging our key strengths that enable us to have a strong track record of profitable growth. Fundamentally, this is built on a carefully considered strategy of organic expansion and acquisitions – all in pursuit of our goal to become a MEA Icon by 2017.

Our Retail Service Quality Department ensures a high level of customer satisfaction through conducting branch visits, surveys, complaint handling, monitoring waiting and serving time, and monitoring service-level agreements and turnaround time.

QNB Group's brand values

Enriching

We are in the business of enriching the lives of our customers. We take time to understand their ambitions for today and tomorrow – building their trust to help and advise them over the long term. We never take advantage of, or advise for, short-term gain because we understand that delivering enduring value depends on loyalty and mutual trust.

Insightful

We know our customers are ambitious and want a bank with ideas and originality that finds creative, customised and innovative solutions. Our experience enables us to meet this need and think beyond the predictable.

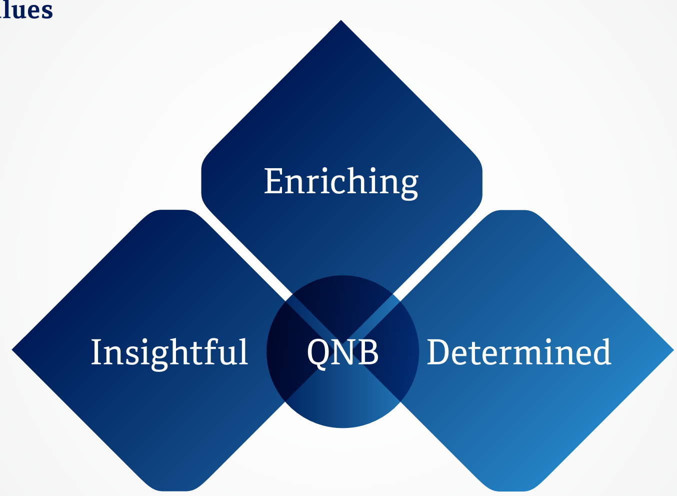
This drives us to act quickly in pursuit of the right solution and use our imagination to provide our customers with original solutions.

With our unparalleled financial strength and expertise, we are the best banking partner to help them realise their ambitions.

Determined

We are dedicated to building the financial foundations for our customers that fulfil their ambitions and deliver real long-term value. We apply the same persistence that has built our success to our customers' goals and never put our needs before theirs because, at QNB, building sustainable value for our customers always comes first.

Our values



Pages 25-41 »

Read about the strategic plans for each of business areas to realise our vision in 2017 and beyond

Creating meaningful value

Our guiding principles, strategy and competitive positioning enable us to deliver true value to our stakeholders.

QNB Group provides access to frontier and emerging markets across Africa, Asia and Europe with top-tier ratings

It is rare for a business to enjoy a monopoly in any market – financial services is no exception. To be successful, it is important that a company can differentiate itself. This can be achieved in a myriad of ways – including unique products, bespoke services and skills, intellectual property or excellence in customer service.

At QNB Group, our strategy seeks to differentiate us from local and international competitors by leveraging our own unique competitive advantages. By doing so, we create multiple streams of value. This includes financial returns for our shareholders, a wide range of benefits for our customers, the contribution we make to local, national and regional economies as well as the broader benefits we can bring to our host communities.

The QNB difference

We believe QNB is a rare financial institution. We are one of the only banks with a global bank rating that can operate as a full-service financial institution across a range of hard-to-access frontier and emerging markets. As they continue their own growth journeys, these markets offer exciting opportunities.

Underpinning this overarching advantage, our Group – and our customers – benefit from:

> **Solid capital strength and ratings**
The bedrock of any bank is its capital strength. Many of our competitors, particularly leading global banks, continue to suffer negative repercussions from the global financial crisis of 2008. In contrast, by maintaining an enviably strong balance sheet through our measured, controlled approach, QNB is well positioned to take advantage of the many opportunities we see in our chosen regions of operations. This gives us both our capacity to execute our plans and the positive reputation with customers, business partners and countries.

A strong credit rating with the leading agencies, including a 'stable' long-term outlook enables us to access capital markets to facilitate our growth plans, and ensures QNB Group's partners and customers can trust the strength of our offering.

> **A leading bank regionally with an expanding international footprint**

- We are one of the leading banks in the MEA region by total assets, and the leading bank by loans, deposits and profit;
- We are the second-largest company by market value in the MENA region; and
- We are the largest bank in Qatar by market capitalisation, assets, loans, deposits and profit.

By maintaining and accelerating our regional dominance, we aim to ensure we are the preferred choice for major corporations, institutions, SMEs and individuals when seeking a financial partner. This, in turn, enhances our ability to successfully expand our business as we enter new territories and product lines.

As we expand our network into markets that are neglected by bigger, global banks or are underserved by regional players, we are carving out a role for QNB as the financial gateway to the Middle East and Africa – facilitating access to these exciting markets.

Pages 43-53

Read about how we are effectively and responsibly governed on our path towards becoming a MEA Icon.

Our difference creates shareholder value

We consider QNB Group's stock as both a value and growth play for investors. We create value for our shareholders by effectively leveraging our competitive advantages – which we illustrate in our Operational performance review.

We also create growth by building on our strategic objectives and expansion plans.

Importantly, our financial trajectory is very positive:

- We continue to demonstrate sustainable profit growth;
- We have consistently delivered quarterly growth across our key KPIs;
- Our loan book has grown while maintaining an excellent NPL ratio;
- We maintain a strong capital adequacy ratio; and
- We continue to diversify our sources of income to reduce our exposure to one market.

These achievements are not transient, but long-term sustainable returns, consisting of both dividends and capital growth, built on the foundations of our strategy and strategic initiatives.

We believe one core element to substantiate our role as a gateway to the Middle East and Africa is our strategic partnership with Ecobank Transnational Incorporated (ETI). ETI is the leading pan-African bank with, as at 30 September 2015, around USD25 billion in assets, over 19,000 employees, and operations in 36 countries across the African continent, more than any other bank. ETI is a fully fledged universal bank operating in West, Central, East and Southern Africa. Besides QNB Group, Nedbank, one of South Africa's four largest banking groups by assets and deposits, holds a 20% stake in ETI as a strategic partner. Similar to ETI, Nedbank provides a range of wholesale and retail banking services and a growing insurance, asset management and wealth management offering across South Africa, with a growing contribution to selected Sub-Saharan markets.

ETI's vision is to build a world-class pan-African bank and contribute to the economic development and financial integration of Africa. At QNB, we believe we can contribute to this vision through our capital strength, unique value proposition and offering. We see our partnership with Ecobank and Nedbank Group as complementary and we believe it puts the Group in an excellent position to capture significant value in Africa's fastest-growing markets.

- **Brand recognition and consistency**
  QNB has one of the strongest brands in the Middle East and Africa, both in comparison to our banking competitors and across sectors. In 2015, we were ranked 'Best Bank Brand' in the Middle East and Africa by The Banker magazine and we also achieved a 44% increase in our brand value. This level of brand recognition is a powerful enabler for our Group's business. It is built on numerous achievements, including our consistent delivery of strong returns, maintaining our position as one of the leading MEA banks across all financial metrics, our top-tier ratings, and our continued positive recognition by international institutions for our ability to bring to market innovative products and services.

Operational performance

In this section, we outline the activities QNB Group undertook in 2015. We also detail each business area's strategic plan to realise our vision in 2017 and beyond.

Operational performance

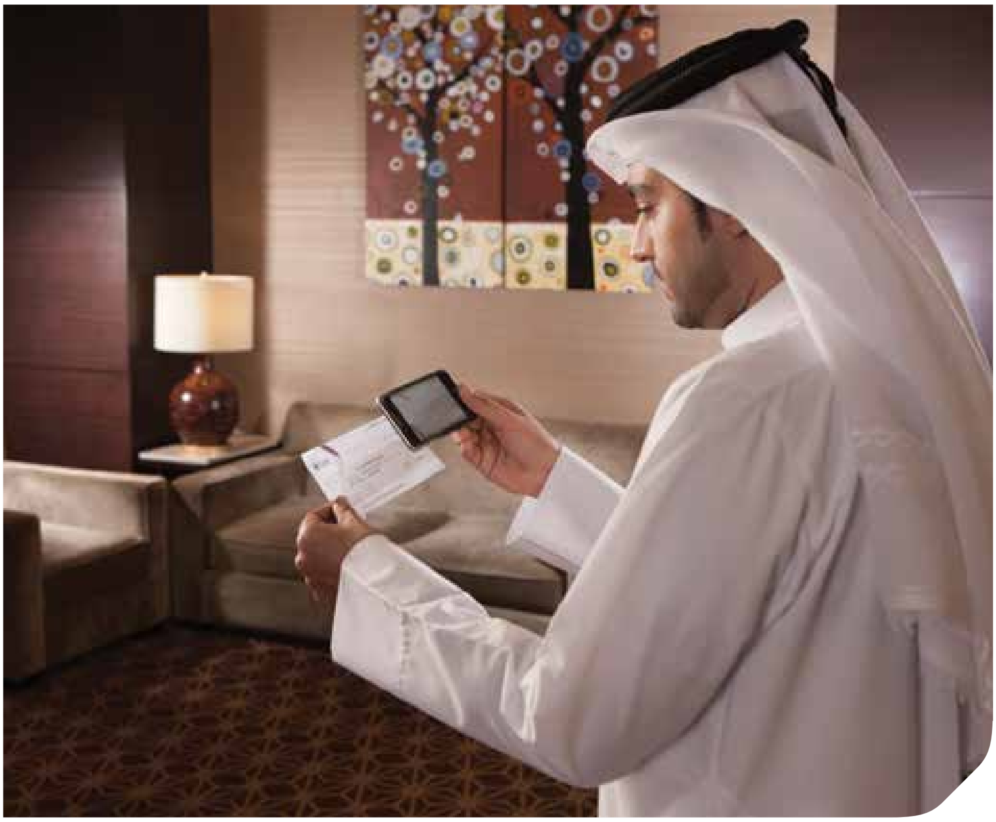
Summary of the Group's offerings

Group Corporate and Institutional Banking

Offers a comprehensive suite of wholesale and commercial banking products and services.

Includes specialised services including structured finance, project finance, investment banking and advisory services.

Read more about Group Corporate and Institutional Banking on page 28



Group Retail Banking

Offers a comprehensive suite of retail banking products and services across a multichannel network with more than 615 branches[1].

Includes premium banking services through QNB First, our offering for affluent clients.

Read more about Group Retail Banking on page 34

[1] Including subsidiaries

Group Asset and Wealth Management

Offers a broad range of asset management, brokerage and custody products and services.

Includes full-scale onshore and offshore private banking products and services for our high net worth and ultra-high net worth clients.

Read more about Group Asset and Wealth Management on page 37

Group International Business

Engages with and serves as a point of reference between our Group offices, subsidiaries and other key stakeholders, including regulators, with a view to delivering capabilities and seamless service around the needs and expectations of our clients while enabling profitable and sustainable growth.

Read more about Group International Business on page 39

Group Corporate and Institutional Banking

Leveraging our expertise to expand internationally

This year, we made a major contribution to diversifying our revenue stream beyond Qatar, in line with our aim that by 2017, 40% of our net profits will come from international markets.

64%
share of QNB Group net profit

Group Corporate and Institutional Banking net profit QR billion

2015	7.2
2014	7.0
2013	6.3

Corporate and Institutional Banking – notable deals in 2015

We signed a regional transaction banking Memorandum of Understanding (MoU) with one of the largest telecommunications equipment manufacturers in the world, headquartered in Asia. This MoU elevated QNB to be the company's preferred regional partner bank in transaction banking in the MEA region.

QNB acted as mandated lead arranger (MLA) in the USD750 million acquisition finance term loan in favour of the world's leading foreign exchange and remittance company.

QNB successfully booked the secondary purchase of Royal Bank of Scotland's outstanding USD2.0 billion syndicated term loan facilities at MLA level, granted in favour of the trading company arm of one of the world's leading pharmaceutical corporations.

Across Qatar and the region, QNB Group has been taking the leading role to form and lead a group of local and regional banks to finance multiple sizeable and iconic projects – including transport, power and water, and signature real estate projects.

In line with QNB Group's strategy to diversify its revenue and income sources, the focus in 2015 has been leveraging the Group's geographic footprint to drive growth across our domestic and international network. We put particular emphasis on acting as an 'MEA gateway' and as a financial bridge between hubs in Asia, Africa and Europe. This approach both protects our dominant position in Qatar and enables us to accelerate our international growth.

QNB Group's Corporate and Institutional Banking business's products and services include:

> Wholesale and Commercial banking;

> Structured Finance, including syndication and distribution, project and acquisition finance and asset-backed and real estate finance;

> Transaction Banking, including trade finance solutions, open account solutions and global cash management;

> Financial Institutions, with an extensive correspondent banking network;

- Investment Banking via QNB Capital, that offers comprehensive corporate advisory services covering all aspects of corporate finance; and
- Treasury, with a comprehensive range of structured capital markets products.

These domestically and internationally offered products and services are tailored to the needs of specific industry sectors and customer segments where we believe we have a strong value proposition as well as competitive advantage.

To reach our vision to be a MEA Icon by 2017, and expand our presence internationally, our Corporate and Institutional Banking business has a clear strategy. This includes:

- protecting our dominant market position in Qatar's government and government-related entities (GREs) and large corporates;
- aggressively growing our presence with Qatar's expanding private sector;
- establishing business origination centres in selected global megacities; and
- enhancing our global wholesale banking capabilities and leveraging our global account management (GAM) model to effectively and efficiently serve multinational clients.

Above: UAE
QNB participated in a financing agreement for a major oil and gas company.

Key activities and achievements in 2015

Qatar

In 2015, we maintained our presence as Qatar's flagship bank – successfully growing to achieve a dominant share of the local corporate market.

The Domestic Corporate Banking department consists of four specialised coverage units: Large Corporates, Contractor Finance, Commercial Banking and Government Sector. Overall, QNB Group continued to maintain market share in large corporates while gaining share in the Qatar private sector, particularly in commercial and contracting – the core of our lending activities. Our involvement in the iconic Lusail City real estate development has been a particular success as a benchmark project in both infrastructure and real estate development financing.

In 2015, we also continued our active involvement in financing key infrastructure projects such as roads and the water and sewage network, as well as multibillion commercial and residential projects. These require sophisticated solutions and a profound understanding of private public partnerships (PPP) structuring – skills we are able to provide. This enabled us to protect our leading market share in the government and quasi-public sector. QNB has also been taking the leading role to form and lead a group of local and regional banks to finance sizeable and iconic projects, including projects such as Qatar Rail and a major commercial centre.

Another highlight in 2015 was the launch of our dedicated SME Centre, which is supported by one of the largest SME sales teams in Qatar. The centre is a 'one-stop shop' for SMEs, with skilled QNB staff to help customers achieve their business goals.

Importantly, our SME Centre initiative supports Qatar's National Vision 2030 and acts as an incubator, nurturing the growth of SMEs in Qatar. In addition, it equally supports our aim to diversify our sources of revenue and income. As a Group, we are proud that we are able to support a wide range of enterprising business owners, and accompany them on their journeys to regional and possibly global success.

We were also pleased that this year QNB and the Qatari Businesswomen Association (QBWA) signed a MoU, focusing on enhancing Qatari businesswomen's contribution to economic activity, with an emphasis

Group Corporate and Institutional Banking
continued

on SMEs. Under the agreement, our Group will host two annual workshops to provide financial assistance to all QBWA members by introducing them to the Bank's comprehensive range of products and services dedicated to the SME sector. We will also work closely with them to anticipate challenges and identify opportunities. This was another important initiative to enhance our contribution to the Qatar National Vision 2030.

International expansion

One of the core strategic initiatives that QNB Group has embarked upon is building up our global wholesale banking (GWB) capabilities to holistically serve the broad financial needs of MNCs. This initiative is focused on establishing business origination centres in major global economic hubs, megacities and located in areas of significant trade and investment flows. We are positioning our business to enable us to capture a share of these major opportunities. In particular, we aim to position QNB as the 'gateway to MEA across the globe'. To deliver this, we have refined our global account management (GAM) model including establishing global coverage teams across our regional hubs that service our global customers and originate new relationships. These coverage teams are supported by regional product specialists that have expertise in transaction banking, structured finance and treasury sales.

We are enhancing our global capabilities through product development complemented with technological innovation and service quality across the network. The approach taken is a combination of organic expansion supplemented by carefully targeted acquisitions.

Building the transaction banking gateway

We have also appointed regional trade product managers with regional trade product development responsibilities in our global transaction banking (GTB) hubs in Doha, Singapore and Paris. This is to support regional and global know-how sharing and strengthen our global GTB franchise, as well as increasing QNB Group's profile as the global transaction banking payment provider and the 'gateway to MEA across the globe'. This important step will enable our transaction banking businesses to differentiate from our competitors and enable our business to synchronise with the organisational structure of our global customer base – in accordance with our GAM model.

In 2015, we also rolled out the e-business corporate internet banking platform across our global footprint and we connected it to different clearing platforms in the UK, Oman, Kuwait and Singapore. Reflecting the success we are having in expanding our presence internationally, our corporate e-channel customer base continued to increase by more than 30% per annum.

One of the core strategic initiatives that QNB Group has embarked upon is building up our global wholesale banking (GWB) capabilities to holistically serve the broad financial needs of MNCs

30%
year-on-year increase in our corporate e-channel customer base

'Newcomer of the Year' award for 2014 by Airbus at the January 2015 Air Finance conference

This is enabling us to increase efficiency, perform straight-through payment transaction processing and provide customers with electronic statements globally via our single window solution – across all of our branches around the world.

Capturing opportunities in structured finance

Our Global Structured Finance team (GSF) has built deep expertise in product categories to capture opportunities across the QNB network and non-presence countries. Our expertise encompasses underwriting and distribution, project and export credit agency (ECA) finance and asset-backed finance, acquisition and leveraged finance, and real estate finance.

In 2015, the team's footprint has been expanded from Doha to two hubs: one in Singapore covering Asia and another in London covering Europe. With the wider focus on Africa, the Bank is covering African markets from Doha centrally.

This year, for example, in asset-backed finance, QNB Group arranged and underwrote several successful aircraft lease deals across our regional footprint, including six Airbus A380s. In recognition of our contribution to aviation finance, QNB Group was also awarded the 'Newcomer of the Year' award for 2014 by Airbus at the January 2015 Air Finance conference held in Dublin, Ireland.

Adding weight to our expanding presence in this field, we also held a partnership roadshow with Boeing.

Become the gateway to Middle East and Africa across the globe

- QNB as the MEA gateway for trade and cash
- Global customer service providing access in frontier and emerging markets
- Access across MEA by ensuring global coverage with top-rated institutions
- Most creditworthy institution for wholesale treasury requirements in MEA

Left: UK
We participated in the financing of a key combined heat and power plant.

In addition to aircraft financing, we also arranged and underwrote several large retail, residential and theme park commercial real estate transactions in various key cities including London, Paris, Doha and Dubai.

International deal flow

A significant number of deals that we executed in 2015 reinforced the logic of our targeted geographic expansion. It demonstrates that we are on track to reach our goal of securing 40% of our net profits from international markets.

Other key deals we undertook in 2015 included:

In the Middle East

We provided a USD275 million, 10-year term loan to a landmark Central American real estate project with Qatari Diar, the entity responsible for investing the funds of the State of Qatar in the global real estate sector.

We also participated in a USD1.0 billion, nine-year term financing for a major oil and gas company in the UAE.

QNB acted as co-lead arranger with Westpac Banking Corporation in arranging a USD420 million, 12-year aircraft acquisition financing on an operating lease basis.

We extended a USD50 million, six-year bilateral facility to Investment Corporation of Dubai (ICD) for refinancing of existing USD150 million bilateral facility and the remainder for general corporate purpose. ICD is the investment arm of the government of Dubai and maintains a portfolio of Dubai's most recognised companies.

We established a Regional Accounts Receivables Purchase Programme with one of the world's largest conglomerates. This programme enables the company to accelerate cash collection from their customers in the Middle East region and it also provides them with commercial risk mitigation. We commenced the programme in Oman and we are targeting Qatar, Tunisia and other Middle East countries as expansion opportunities.

We worked with key MEA regional players to originate, structure and finance tailor-made complex aircraft financing transactions. Such structures include operating and finance lease structures as well as mezzanine financing.

QNB acted as MLA, joint coordinator, and bookrunner in syndicated long-term loan facilities in favour of one of the most prestigious real estate developers in the UAE, to partially finance the development costs of a signature real estate project in Dubai.

In Asia

We signed a regional transaction banking MoU with one of the largest telecommunications equipment manufacturers in the world, headquartered in Asia. This MoU elevated QNB to be

Group Corporate and Institutional Banking
continued

the company's preferred regional partner bank in transaction banking in the MEA region. Based on the MoU, we implemented a range of traditional trade and open account transactions and established a cash management relationship with the company in several countries across our network.

Through our Singaporean branch, we were actively involved in financing housing, equipment leasing and consumer finance entities across our four key Asian markets of India, China, Indonesia and Vietnam. These entities are crucial economic enablers in the markets in which they operate.

Together with our Indonesian subsidiary, QNB Indonesia, we arranged a five-year multimillion USD term loan financing to support the development of industrial land in the Greater Jakarta area. This transaction is expected to support the overall manufacturing and foreign direct investment initiatives of the country.

We supported a large real estate developer and medical provider in their financing requirement for a complete seven-year term facility of USD200 million. The financing is expected to facilitate the client's real estate development initiatives across several key locations in Jakarta, West Java and Kalimantan.

QNB Capital acted as a joint lead manager and bookrunner on the International Bank of Qatar's (IBQ) USD500 million debut bond issuance. This was the first drawdown under IBQ's USD2 billion Euro Medium Term Note programme in which QNB Capital is a dealer. The transaction was successfully concluded in November 2015 and was the first conventional bond issuance from Qatar this year.

In Africa

QNB participated in a USD800 million, seven-year term financing for a telecommunications company in Nigeria, supporting the telecommunications industry in Africa.

Our partnership with Ecobank is bringing rewards: in 2015, we acted as co-MLA with Ecobank in arranging a USD1.5 billion Syndicated Capital Expenditure Financing Programme for a national oil company in Sub-Saharan Africa. This represented our first joint deal in corporate financing in Africa. We anticipate further deal flows to accelerate in the region as we further intensify our relationship.

In Europe

Through our London office, we participated in a five-year GBP225 million term financing of a key combined heat and power plant in the UK, promoting cleaner energy generation.

QNB Doha and London acted as co-arrangers and co-book runners with HSBC Bank PLC and Barclays Bank PLC in arranging a GBP850 million, five-year term loan and working capital facility for an iconic British retailer.

The future

Looking ahead, we have several initiatives planned in 2016, to maintain our leading position within the corporate banking domain in Qatar. We plan to continue to grow our presence and share in the corporate private sector for mid-market corporates and SMEs. We aim to further improve our offering through outstanding customer service, efficiency and innovative solutions.

In line with our strategy to internationally expand our footprint, we intend to continue to strengthen our international corporate offering through new products and services with a focus on transaction banking.

We also plan to grow our global wholesale business to be able to target trade and investment flows across our network, leveraging our positioning as a gateway to MEA.

QNB Capital

QNB Capital (QNBC) is the investment banking arm of QNB Group and the leader in the Qatari investment banking market.

QNBC offers comprehensive corporate advisory services covering all aspects of corporate finance. This includes financial strategy, structuring, debt, equity, mergers and acquisitions (M&A) and project finance. We provide investment banking services to corporate, institutional, government and government-related clients within Qatar and the wider MEA region. By leveraging the Group's 50-year history in Qatar, QNBC has an unparalleled knowledge of the local market and in-depth understanding of the region.

QNBC offers clients an excellent level of skills and experience in equity and

QNB Capital offers comprehensive advisory services covering all aspects of corporate finance and strategy
Overview of QNB Capital offering

QNB was awarded the 'Best Transaction Bank in the Middle East and Africa', the 'Best Cash Management Bank in Qatar', and the 'Best Trade Finance Bank in Qatar' at the 2015 Asian Banker's Middle East and Africa Transaction Banking Awards. To achieve these awards, QNB's market share, customer satisfaction, and product innovation were closely scrutinised.

Best Foreign Exchange Provider in Qatar 2016
Global Finance magazine

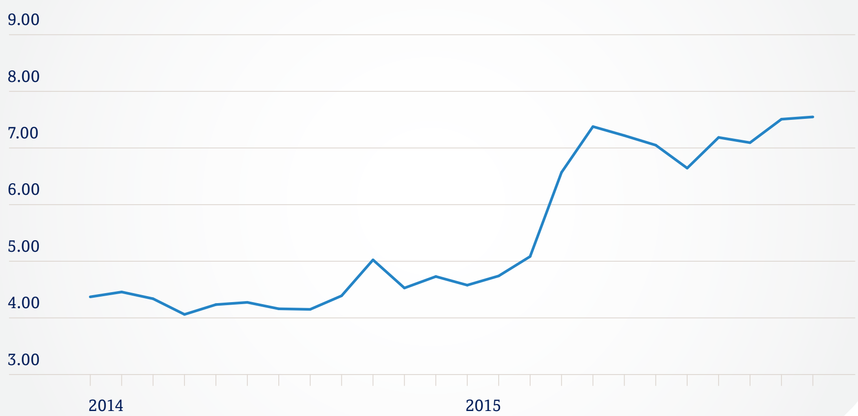
debt capital markets (ECM and DCM) as one of the most experienced teams in the region. In ECM, we provide advice covering all types of equity raising including IPOs, rights issues, private placements and in-structuring quasi-debt instruments. In DCM, for example, in just the past four years we have managed over 20 bond and Sukuk transactions.

As an example, QNBC acted as a joint lead manager and bookrunner on the International Bank of Qatar's (IBQ) USD500 million debut bond issuance. This was the first drawdown under IBQ's USD2 billion Euro Medium Term Note programme in which QNBC is a Dealer. The transaction was successfully concluded in November 2015 and was the first conventional bond issuance from Qatar this year.

To enable our clients to both understand their market environment and assist them to seize appropriate opportunities, we work with them as a strategic advisory partner on M&A opportunities and project finance, as well as across the full spectrum of financial and advisory services. We are particularly proud of the depth of support we are able to provide across the entire real estate value chain – from identifying a business case, through scoping and construction to the asset management stage.

Going forward, QNBC will aim to not only maintain its leading position in investment banking in Qatar, but will also strive to further capture opportunities and leads leveraging on QNB Group's international presence. Our partnership with Ecobank not only extends our geographic reach but presents opportunities to advise on major cross-border transactions in the wider MEA region.

London Certificate of Deposit end of month volume USD billion



Treasury

In 2015, QNB Group Treasury continued to implement its strategy to diversify sources of funding and widen its customer base both domestically and internationally. This further solidifies QNB Group's presence in global markets and helps to provide sound investment and risk mitigation advice to the growing number of our counterparties.

As a natural development of its wholesale funding programme initiated several years ago, QNB Group Treasury continued during 2015 to take advantage of the market appetite for the strong credit quality and the well-regarded brand of QNB Group. We proactively issued new private placements under the Euro Medium Term Note (EMTN) Programme with issuances in several major currencies.

Throughout 2015, QNB Group Treasury expanded its domestic and international capabilities as part of its continuous effort to better support the growth of the business. These activities have been complemented by continuous efforts to consolidate operations and fully integrate its suite of products and services across the growing QNB Group international network. This has been reflected through the ongoing success of the Certificates of Deposit multi-currency product (USD, EUR and GBP) issued by QNB Group's London branch. We enjoyed active participation by a record number of international investors, with USD7.5 billion outstanding.

Looking forward, Treasury will continue to both expand its product offering and leverage the Group's strategic growth to continue to diversify sources of funding, adding further robustness to QNB. In particular, Group Treasury will continue its focus on building key relationships in London, Paris, Geneva and Singapore, in parallel with QNB Group's strategic expansion.

Group Retail Banking

Our Group Retail Banking provides a wide range of retail banking products and services

We also offer premium banking services through QNB First across the domestic and international markets.

Our Group Retail Banking is the leading retail bank in Qatar. With 65 branches, and as the country's dominant provider of internet and mobile banking, it is the cornerstone of how QNB's brand is perceived in the market. This positive brand perception, in turn, assists us in our international expansion, in line with QNB's corporate strategy.

QNB offers the full range of products and services at least equal to best-in-class regional and international banks.

We seek to differentiate ourselves by continually bringing new offerings to our customers to enable a more rewarding banking experience, successfully meeting their lifestyle needs. This is underpinned by ensuring we always exceed our customers' expectations of service – both in face-to-face interactions and where our relationship is mediated by technology. This is supported by a robust security and risk infrastructure that protects our customers and enables an uninterrupted, seamless service.

Group Retail Banking offers a comprehensive suite of products and services with an integrated multichannel distribution network, including:

> 65 branches in Qatar and more than 550 branches abroad;

> 395 ATMs in Qatar, up from 360 in 2014, and more than 1,000 ATMs abroad;

> sophisticated and engaging internet and mobile banking offerings;

> 761 branch staff in Qatar and more than 4,000 staff abroad;

> market-leading premium proposition through our QNB First offering; and

> international retail offering through the QNB First Global Recognition Programme with global account access across our international network.

Domestic innovation

This year, we have continued our push into providing innovative banking products and solutions. We released a modern and convenient mobile banking application and mapped out a journey to continue innovating in this

In 2015, QNB Group's Retail Banking continued its growth momentum in both Qatar and international markets by offering competitive products and services. We are leveraging leading-edge technologies and implementing effective business strategies to offer greater value, convenience and transparency to our retail banking customers.

65 branches
in Qatar and more than
550 branches
abroad

395 ATMs
in Qatar and more than
1,000 ATMs
abroad

761 branch staff
in Qatar and more than
4,000 staff
abroad

channel. We were also the first bank in Qatar to launch a remote cheque deposit function on mobile banking, with customers no longer needing to visit a branch to deposit them. A particularly exciting technological innovation was being the first bank in Qatar to launch iris scan access to our ATM services – our customers can now access their accounts without the need for a card or remembering a password.

In 2015, we also commenced offering the QPay Payment Gateway platform for the Bank's e-commerce merchants, providing an online shopping experience using debit cards. The QPay Payment Gateway is the latest online card acceptance solution in Qatar that allows all National ATM POS Switch (NAPS) debit cardholders to purchase goods online. By having this payment portal, e-commerce merchants are able to accept NAPS debit card payments directly from their customers in a fast and secure environment, which is not present with other payment gateway channels. It offers a simple and convenient way for customers to pay online, anywhere and at any time – to both their advantage and to the advantage of merchants.

We have been particularly pleased with the launch of workers' salary processing through the Ooredoo Mobile Money e-channel. This is used for processing workers' salaries to the Ooredoo Mobile Wallet using the QNB IBAN. The solution supports Qatar's desire to secure the financial inclusion of all its residents. Using the wallet, workers of all levels can perform basic financial services such as receiving funds, payments, making international transfers and more. In addition to that, each worker will get a unique IBAN to ensure their inclusion in the financial system.

Continuous improvement of our market-leading premium proposition, QNB First

We constantly endeavour to customise our market-leading proposition for our members. QNB First has partnered with globally renowned experts to provide world-class services such as real estate advice across Qatar's borders, exclusive events and seminars, insurance plans for all customer life cycles, and unique telecom offers and deals, positioning QNB First ahead of the competition. We also continued to leverage QNB's asset and wealth management capabilities, to ensure our QNB First customers take advantage of the Group's sophisticated wealth management products and solutions.

In 2015, QNB First, in coordination with the International Retail team, continued to strengthen its proposition with a view to fulfil and exceed its customers' cross-border banking, investment and lifestyle needs. Reflecting this, our QNB First Global Recognition Programme was enhanced with a cross-border mortgage proposition in Qatar, the UK, France, the UAE and Lebanon. This encompasses a new range of lifestyle offerings with local and international partners along with global account access, providing customers seamless, global account access to perform transactions. In addition, we supported the launch of the QNB First proposition at our subsidiary in Tunisia and refined our affluent proposition in QNB ALAHLI, our subsidiary in Egypt.

Our QNB First Global Recognition Programme was enhanced with the introduction of a cross-border mortgage proposition in Qatar, the UK, France, the UAE and Lebanon.

Right: New mobile application launched this year.

Group Retail Banking
continued

56%
Group Retail Banking continued its successful journey supporting the Qatar National Vision 2030 by increasing its Qatarisation to almost 56%.

International retail expansion
In line with the Group's focus on international expansion, we also launched a non-resident Lebanese and non-resident Egyptian proposition in our Oman and Kuwait branches. Additionally, we launched the MasterCard World debit card in our London and Paris branches along with a full suite of internet banking e-functionalities for our customers in the UK, France, Lebanon, Kuwait and Oman. A new mortgage loan offer was also introduced in Oman for financing 'under construction' properties.

Striving for excellence
To encourage our retail employees to strive for excellence, we continued to roll out a range of motivational programmes, including a new promotional incentive scheme launched in partnership with MasterCard to motivate QNB sales employees by rewarding them for the acquisition and early activation of all new MasterCard credit cards. In addition, in keeping with our goal to provide excellent customer service and mirror our Qatar operations internationally, we established a new Customer Care Centre in Tunisia.

With the strategic expansion of QNB, securing and retaining appropriately talented and skilled personnel remains our key to success. We are working hard to take on board talented people from around the world and are also focusing on strategically improving the skills, knowledge and behaviour of all our staff. This year for example, we launched or enhanced several development programmes:

1. TDP (Trainee Development Programme)
2. IDP (Individual Development Programme)
3. SDP (Supervisor Development Programme)
4. MDP (Management Development Programme)
5. LDP (Leadership Development Programme)
6. Induction programme for New Joiners

Through these programmes, and our additional ongoing investment in training and skills development, we aim to ensure that our employees have the necessary technical and managerial skills to successfully execute their current role. It also ensures that we have a strong pipeline of appropriately skilled future leaders.

The future
Looking to the future, we will keep on supporting corporate and private banking teams domestically and in their geographical expansion. At the same time, we want to ensure that our flagship products and services are available to all of our customers globally. For this, we will work closely with our existing subsidiaries and affiliates on potential tie-ups and cross-selling opportunities to make retail banking accessible to the Group's wider customer base.

To 2017 and beyond, Group Retail Banking will maintain its focus on expanding and enhancing our e-channel offerings, ensuring our QNB First Global Recognition Programme is meeting and, indeed, exceeding the expectations of our premium customers. We will continue to expand and embed our presence in new international markets which are deemed potentially beneficial to the Bank. We will do this while maintaining an excellent customer experience across all our services. This will help us to maintain our leading position in Qatar and leverage this advantage in new regions.

Group Asset and Wealth Management

Our Group Asset and Wealth Management offers an end-to-end wealth management service

This extends from asset management to a full-scale onshore and offshore private banking offering.

QR14.1 bn
assets under management

Best MENA fund manager in 2015
by Fund Manager magazine

5%
share of QNB Group net profit

Group Asset and Wealth Management net profit QR billion

Asset management – private banking – brokerage – custody services

QNB Group's Asset and Wealth Management provides an end-to-end advisory service meeting clients' needs for managing their wealth. This extends from serving high net worth individuals with our private banking offering, through managing mutual funds covering a variety of asset classes, to our expanding brokerage offering and our custody services.

Importantly, beyond growing our own business, Asset and Wealth Management plays an important role in promoting Qatar as a high-quality investment destination. The Qatar Stock Exchange is now the second-largest stock market in the region – outperforming the GCC and other emerging markets indices over the past five years. Qatar's attraction to investors has also grown after MSCI recently upgraded Qatar from a frontier market to an emerging market.

A year of expansion

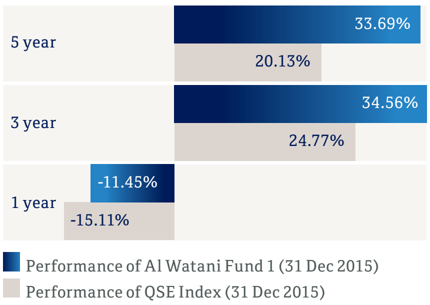
In 2015, we conducted a strategic review of the business and launched a very ambitious project aimed at expanding both our service offering to existing customers while also expanding our geographic footprint. This will ensure that we capture the diverse opportunities available in different regions while also maintaining a consistent best-in-class approach across the entire QNB Group.

Because our private banking and asset management clients are global citizens and institutions, we reflect their sophisticated needs by ensuring they are able to access a network of skilled professionals, whether in Europe, Asia or MEA. In addition to Doha, we have employees based in Paris, London, Geneva and Singapore who are all able to introduce our clients to people and opportunities across those regions who can help them reach their goals – whether through special-purpose vehicle mortgages, direct investments or other wealth-creating and wealth-preserving opportunities.

Fundamentally, the expansion of our business is dependent on excellent client service – where we always meet and exceed expectations. This starts with ensuring we have the depth of talent in our Bank who can offer a sophisticated service and understanding of our clients' needs. Surrounding our people is a structure that is fit for purpose so that

Group Asset and Wealth Management continued

Performance of Al Watani Fund 1



We conducted a strategic review of the Asset and Wealth Management business and launched a very ambitious project aimed at expanding both our service offering to existing customers while also expanding our geographic footprint.

they can confidently execute their role while being able to appropriately assess and mitigate risk – meaning clients can trust our people, the QNB brand, our advice and the financial strength of our business.

Capturing market share

QNB has maintained its dominant position in Qatar's asset management market. This was helped by the continuous outperformance of our funds, such as our flagship Al Watani fund, which beat its benchmark in the five-year, three-year and one-year investment horizons. Additionally, QNB has continued to identify and introduce innovative products and services, in line with investor demand, such as 'QNB Note 3', a capital-protected note based on an underlying basket of international equities.

The strength of the QNB brand and our ability to leverage our dominant position locally is reflected in the success we are having in both our brokerage and custody services. Although both are relatively recent offerings, they are successfully winning significant market share in Qatar. For example, although launched less than two years ago, our Custody department has secured market share of approximately 35% of the domestic custody market and is already contributing to the Group's profitability. In brokerage, the business was launched only three years ago and by the end of 2013 had captured a 15% share. We have now grown this to close to an 18% share of the Qatar Stock Exchange's traded value. This gives us the second-largest share in Qatar and includes around 40% of international inflow. Throughout 2015, QNB continued to expand on its 'on-the-ground' research and corporate access as an important value-added service. We are currently the only broker that covers Qatari equities from Qatar.

Achieving growth

We have a clear set of steps to meet our growth ambitions. In private banking, these include enhancing our operating model by adding additional robustness to our processes, including enhancing our client profiling, refining our customer relationship management (CRM), expanding our bespoke concierge service, and strengthening the skill set of our client relationship management team through ongoing training and target setting. Most importantly, we aim to grow the private banking business by increasing QNB's share of our current clients' wealth management needs by strengthening the collaboration with our Asset Management team. We see this as a natural collaboration providing complementary added value to our customers.

In Asset Management, we will continue to build on the success we have had over the past decade. We have grown our fund portfolio from Qatar-focused funds to a true regional powerhouse, spanning all asset classes and selected emerging and frontier markets. On the distribution side, we will continue to leverage the Group's extensive network to expand our fund distribution capabilities, both in Qatar, Egypt, Europe and Africa.

Reflecting our growth across the entire Group and the implementation of the AWM strategic review project, our target is to double the business by 2020 and act as a key contributor to making QNB a MEA Icon.

QNB Financial Services was launched only three years ago and by the end of 2013 had captured a 15% share of the brokerage market in Qatar. We have now grown this to close to an 18% share of the Qatar Stock Exchange's traded value.

Group International Business

Our Group International Business executes our core strategy

By supporting a culture of excellence it enables the delivery of our ambitious expansion.

Group International Business is responsible for oversight of our expansion strategy, ensuring that we diversify QNB's revenue stream and meet our Group target of 40% profitability from international markets by 2017.

Group International Business has a clear line of sight across the entirety of QNB's operations, and works to ensure we are effectively leveraging our brand, our expanding international network and our competitive advantages as a Group. We are doing this by helping enable excellence in execution of our strategy and by helping embed a consistent culture of best practice regulatory compliance, governance and risk while ensuring we have fit-for-purpose processes and technology.

Group International Business is helping connect and enable QNB for sustainable growth – by ensuring a unity of purpose, consistent processes and by embedding QNB as a financial bridge between key hubs in Asia, Europe, MEA and Qatar.

Capturing opportunities

As QNB strategically expands its geographic presence and product offering, Group International Business is ensuring that these are executed efficiently, effectively and are value accretive. The major focus is the growth of our hub and priority countries, while connecting and enabling network countries for growth.

Looking forward, there remains a huge share of the market still available for us to capture – offering us exciting opportunities for profitable, sustainable growth. In 2016, we will continue to broaden and deepen our MENA, Sub-Saharan and international network as our international footprint gives us a competitive advantage. This will include further strengthening the partnership and level of collaboration with our strategic partner, Ecobank, Sub-Saharan Africa's leading pan-African bank.

We are helping to connect and enable QNB for sustainable growth – by ensuring a unity of purpose, consistent processes and by embedding QNB as a financial bridge between key hubs in Asia, Europe, MEA and Qatar.

Group International Business continued

Expanding our products and services

2015 was an exciting year of initiatives and launches. QNB:

> launched an SME offering in Oman;

> launched QNB First and the Customer Service Call Centre in Tunisia;

> launched property finance in France, the UK, UAE and Lebanon;

> expanded the debit and credit card offering in both QNB London and Paris;

> enhanced the retail internet banking platform in all of Oman, Kuwait, Lebanon, France and the UK;

> increased cash management automation and rolled out a cash management platform with straight-through processing (STP) in Oman, Kuwait, France and the UK;

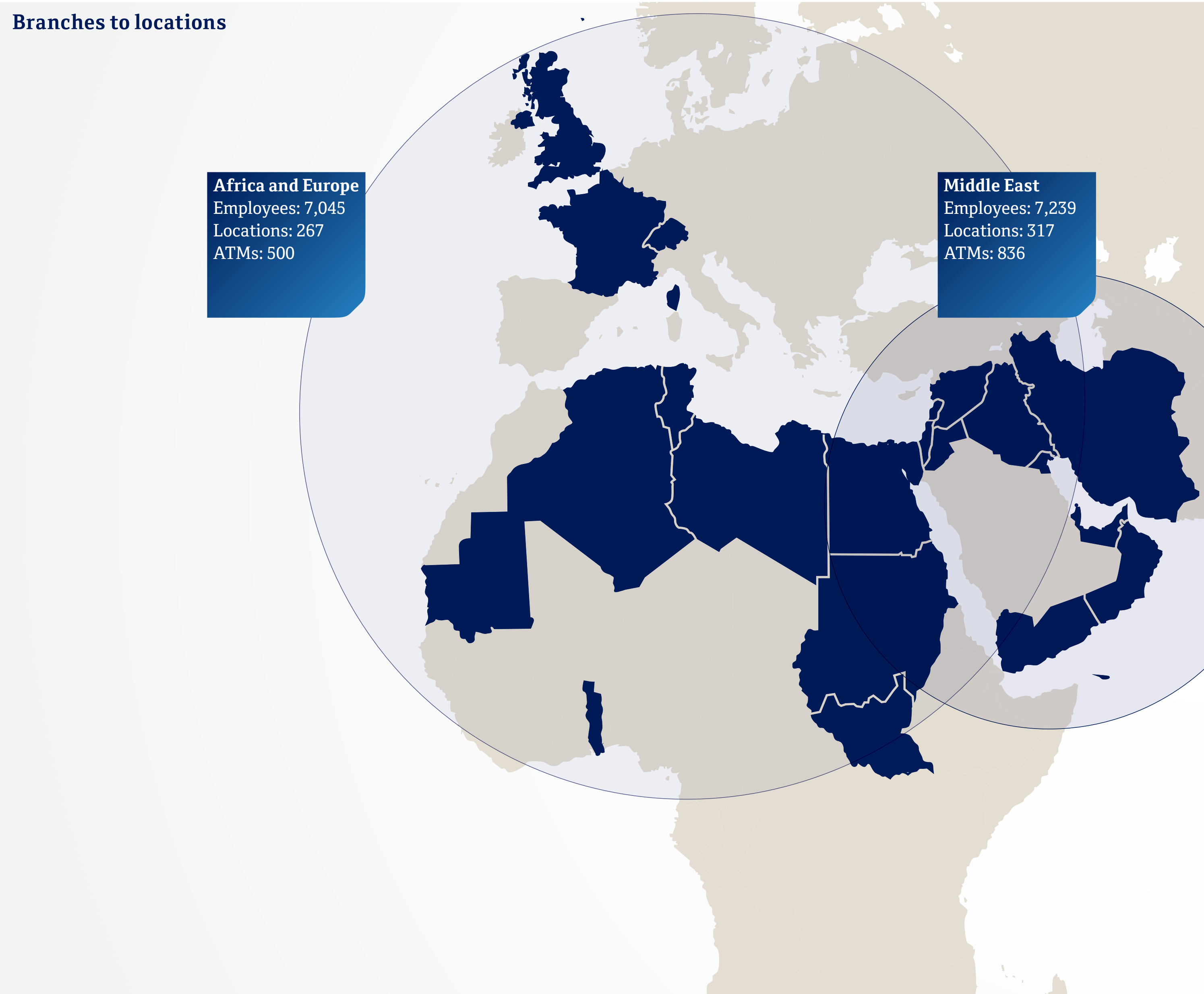
> rolled out automated trade finance processing in Singapore and Paris; and

> enabled clients to access their accounts across key international branches.

Embedding excellence

As we expand our offering, we must in parallel build our capabilities in technology, risk, human capital and business processes so we maintain the strength of our business and continue to retain the trust of our customers. This includes a focus on investing in our infrastructure and identifying and growing high-performing employees internally while attracting talented external candidates to help us compete locally and internationally. Importantly, beyond technical capability, as a Group we must develop and enable our people to achieve their own personal ambitions and team goals as united employees with a common purpose. Our clear vision to become a MEA Icon by 2017 is the cornerstone of this.

Branches to locations



Looking forward

To enable QNB to reach its vision, we have a clear set of priorities through to 2017. These include:

> continuing to expand our regional Asia, Europe and MEA network through organic and inorganic acquisitions, following the trade and investment flow needs of our clients;

> leveraging our competitive advantages by dynamically connecting up our network to deliver for our clients;

> continuing to build our suite of competitive products;

> garnering wholesale funding deposits at very attractive pricing terms, commensurate with QNB's very strong investment grade external ratings;

> continuing to foster a culture of high-performance and employee motivation through positive engagement, performance management, learning and development as well as the development of human capital management processes; and

> managing risk and compliance in a prudent and dynamic manner in line with continuing changing market conditions and regulation.

Corporate governance

In this section we outline how QNB is effectively and responsibly governed on our path towards becoming a MEA Icon.

Corporate governance

Sound corporate governance is fundamental to QNB's success

We're committed to applying clear rules to guide and inspire our culture and conduct.

QNB Group's Board of Directors (BOD) firmly believes that the application of a sound Corporate Governance Framework is of vital importance and a fundamental component of the Group's business practices. Consequently, QNB Group is committed to applying sound corporate governance rules as an integral part of the Group's culture and conduct – an important component of our vision to be a MEA Icon.

In Qatar, new laws and regulations to enhance the practices of corporate governance were issued during 2015: the new Commercial Companies law no. 11 of 2015 and the Corporate Governance Instructions issued by Qatar Central Bank (QCB) in July 2015. Group Compliance conducted a comprehensive analysis that set out all of the material amendments introduced by the new law, and considered the effect they may have on the Corporate Governance Framework within QNB Group, with proposed amendments to the Board Committees structure to meet the new requirements.

The Corporate Governance Report, issued as a companion to the 2015 Annual Report, provides additional details on the Group's Corporate Governance Framework and the impact of the new regulations.

Main roles of QNB Group's Board of Directors

> provides overall strategic direction and oversight;

> reviews and approves Board-level policies through agreed risk parameters and limits;

> reviews and approves annual budget, business plans and all capital expenditures;

> regularly reviews achievements against strategy and makes modifications as required;

> ensures implementation of appropriate internal audit, compliance, risk management and financial control frameworks; and

> ensures an adequate, effective, comprehensive and transparent corporate governance process is in place.

Board composition

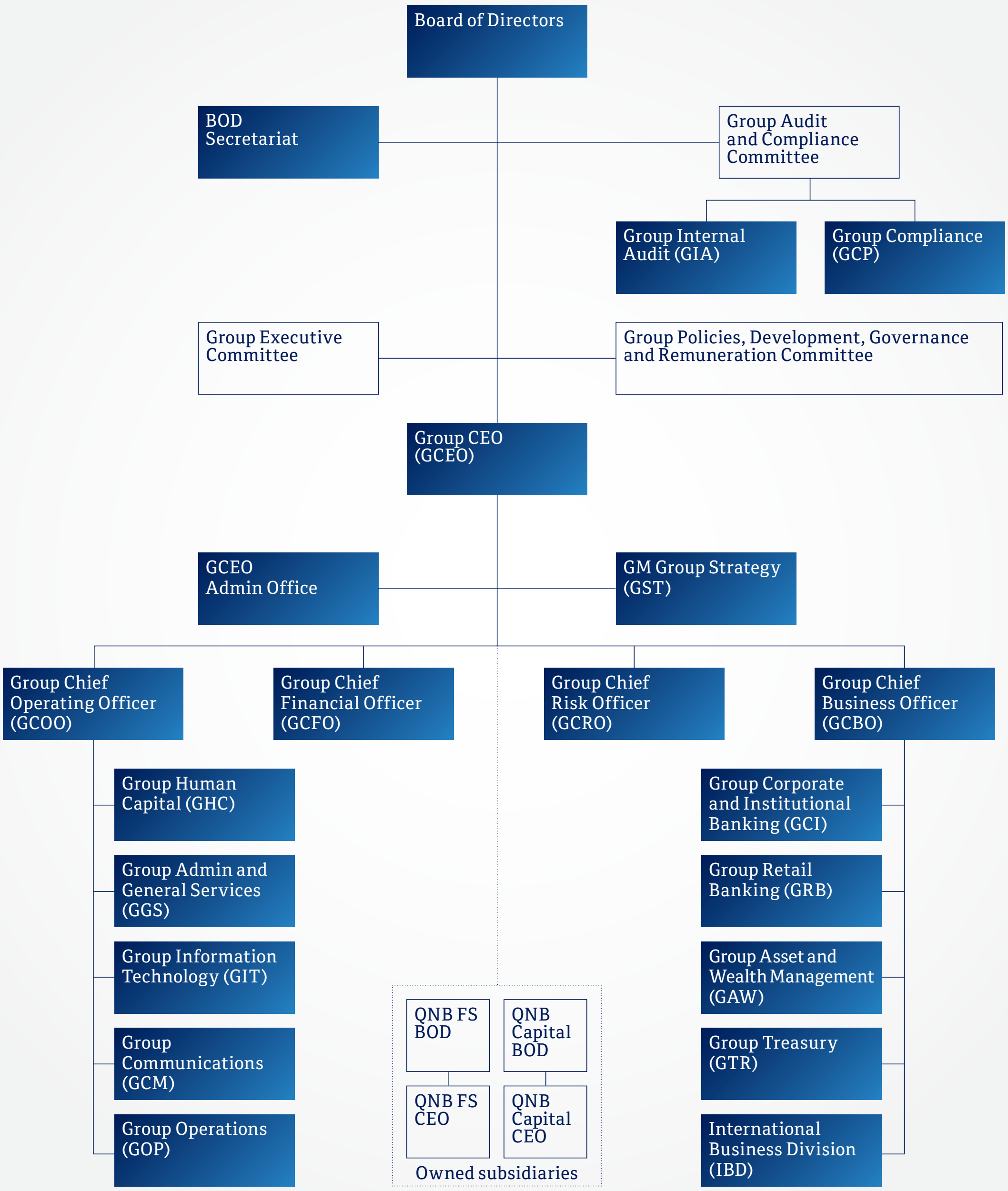
The government of Qatar, through its investment arm Qatar Investment Authority (QIA), owns 50% of QNB. The other 50% is held by the public.

A 10-member BOD composition reflects this ownership structure with five members, including the Chairman, representing QIA, and five representatives from the private sector. According to the Articles of Association, QIA is entitled to appoint five of the 10 members of the BOD; other shareholders elect the remaining five members. QIA appoints the Chairman among the BOD members and the Board elects its Vice Chairman. The BOD has the widest authority to manage QNB Group and also has the right to appoint several managers or authorised persons and to vest in them the right to sign jointly or separately on behalf of QNB Group. Of the 10 members of the BOD, all are non-executive and three are independent. No member holds a managerial position and in accordance with the Qatar Financial Market Authority (QFMA) Corporate Governance Code, no member of the Board holds a full-time job within QNB Group.

To preserve transparency in the nomination of BOD members and to protect the rights and interests of all shareholders to stand for Board membership through direct election by the General Assembly without exclusion or deprivation, the BOD maintains strict and direct supervision over the nomination and election process without delegating the task to any of its committees. However, effective next year, and after the appointment and election of the new Board members, the nomination responsibility will be assigned to a Board Committee in order to meet the new regulatory requirements. Moreover, in light of international professional and technical standards, the BOD has adopted a clear policy in line with the Commercial Companies Law, QFMA Corporate Governance Code and QCB instructions to measure the eligibility and independence of individuals being considered for Board membership.

The BOD composition of QNB Group changed following the end of the term of the previous BOD which resulted in the nomination and election of new BOD members during the Ordinary General Assembly of the Shareholders held on 30 January 2013. The nomination and election of the new Board members will take place at the coming General Assembly meeting in 2016.

QNB Group organisation structure



Corporate governance continued

Remuneration of the BOD and executive management

In accordance with the new Commercial Companies Law no. 11 of 2015, and QCB instructions issued in 2014 related to the compensation of the Board of Directors, QNB Group has adopted a separate remuneration policy for the BOD in line with the said regulations, where it has established rules for the Board members' remuneration that is below the limits set by authorities. The policy was duly acknowledged to be consistent with QCB instructions and should be submitted on an annual basis to the General Assembly for approval. The Group Policies, Development, Governance and Remuneration Committee (GPDGRC) has developed a specific remuneration policy for the executive management before having sought the Board's approval.

Board committees

To effectively manage its duties, the BOD is assisted by three specialised committees that perform functions on its behalf to support efficient conduct of its various duties:

1. Group Executive Committee (GEC)
2. Group Audit and Compliance Committee (GACC)
3. Group Policies, Development, Governance and Remuneration Committee (GPDGRC)

Composition of the BOD committees

Board of Directors		Group Board committees: GEC	GACC	GPDGRC
Chairman	H.E. Mr. Ali Shareef Al-Emadi *			
Vice Chairman	H.E. Sheikh Jassem Bin Abdulaziz Bin Jassem Bin Hamad Al-Thani **			
Members	H.E. Sheikh Khalid Bin Hamad Bin Khalifa Al-Thani **			■
	H.E. Sheikh Hamad Bin Jabor Bin Jassim Al-Thani *	■		■
	H.E. Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani			
	Mr. Bader Abdullah Darwish Fakhroo **	■		
	Mr. Rashid Misfer Al-Hajri *		■	
	Mr. Ali Hussain Ali Al-Sada **	■		
	Mr. Fahad Mohammed Fahad Buzwair **		■	■
	Mr. Mansoor Ebrahim Al-Mahmoud *		■	
Invitee without voting powers	Mr. Ali Ahmed Al-Kuwari ***	■		■

* Representing Qatar Investment Authority
** Elected by shareholders
*** The Group Chief Executive Officer attends meetings, without voting powers

Changes to the BOD committees

QNB Group Compliance performed a study of the existing corporate governance in QNB against the new instructions issued by Qatar Central Bank and analysed its impact. The study highlighted the most important issues related to the BOD role, meetings, composition, training, practices, annual assessment, committees, remuneration and incentives policy and disclosure on the Corporate Governance Practices. As a result of the study, the proposed new BOD committees' composition has been approved by the QNB BOD to be implemented after the election of the new QNB BOD, which will take place early 2016.

The new BOD committees are as follows:

1. Group Board Executive Committee (GBEC)
2. Group Board Audit and Compliance Committee (GBACC)
3. Group Board Risk Committee (GBRC)
4. Group Board Nomination, Remuneration, Governance and Policies Committee (GBNRGPC)

Group Executive Committee (GEC) primary responsibilities:

> reviews overall credit and investment exposures;

> approves credit facilities above the authorised limit set for management up to the committee's limit as delegated by the BOD;

> reviews litigation matters on a quarterly basis;

> recommends action to be taken on impaired loans;

> oversees and approves expenditure above the Centralised Purchasing Committee limit up to the limit as delegated by the BOD; and

> oversees and approves corporate social responsibility expenditures.

Note: The Group Executive Committee (GEC) is composed of three Board members with the Group Chief Executive Officer (GCEO) attending all meetings, without voting powers.

Group Audit and Compliance Committee (GACC) primary responsibilities:

> reviews issues related to internal controls, internal audit, external audit, compliance and reporting responsibilities;

> oversees processes related to anti-money laundering, sanctions and controls to detect potential terrorist financing activities;

> reviews significant accounting and reporting issues, including complex or unusual transactions and their impact on financial statements;

- raises major issues to the Board of Directors;
- internal Audit and Compliance functions report directly to the GACC; and
- the Chiefs of both Audit and Compliance functions provide reports to the committee on a quarterly basis and as needed.

Group Policies, Development, Governance and Remuneration Committee (GPDGRC) primary responsibilities:

- develops QNB Group's long-term strategy;
- ensures annual business plans and budget align with the long-term strategy;
- monitors performance on a quarterly basis;
- develops the corporate social responsibility strategy;
- reviews and approves the Group's marketing and communication plans;
- periodically reviews and assesses local and international corporate governance practices and recommends improvements to the BOD;
- develops QNB Group's remuneration guidelines and the remuneration policy of the BOD and executive management;
- ensures the remuneration framework aligns with the remuneration policy and the BOD guidelines; and
- reviews and endorses Board-level policies prior to final approval by the BOD. Policies of business, operations and other support functions are observed and/or approved by the Group Risk Committee and reported to the committee for information or confirmation where applicable.

BOD committee meetings

The BOD meetings are held regularly and according to QNB Group Articles of Association. The BOD meets at least six times a year. Meetings may be held at the request of the Chairman of the BOD or based on a request of two members. The BOD met six times during 2015, with the Chairman of the BOD attending and presiding at all meetings. The number of meetings held by the BOD and its committees is detailed below.

Number of Board committee meetings during 2015

Group Board committees	Number of meetings
Group Executive Committee	5
Group Audit and Compliance Committee	8
Group Policies, Development, Governance and Remuneration Committee	5

Segregation of duties

A balance between the roles and responsibilities of the BOD and executive management is achieved through segregation of duties. The BOD provides overall strategic direction and oversight through the review and approval of major strategic initiatives, policies and objectives, while day-to-day management of QNB Group is entrusted to the GCEO.

Executive management team

The GCEO is aided by a seasoned and experienced executive management team. Five senior executives report directly to the GCEO:

- the Executive General Manager – Group Chief Business Officer;
- the Executive General Manager – Group Chief Operating Officer;
- the General Manager – Group Chief Risk Officer;
- the General Manager – Group Chief Financial Officer; and
- the General Manager – Group Strategy.

The Group Chief Compliance Officer and the Group Chief Executive Audit have a dotted reporting line to the GCEO.

Corporate governance
continued

QNB Group management committees

The GCEO relies on a number of multifunctional internal committees in the execution of his functions. Committee meetings are authenticated if a quorum, including the Chairman of the committee or his deputy, is attained. Absent members must nominate a representative to attend on their behalf.

While majority rules are the norm for decisions, the vote of the Chairman of the committee prevails in the case of a tie, with the exception of the Group's Credit Committee where unanimous decisions are required. All committees have a dedicated secretary and each committee must hold a set minimum number of meetings annually. Officers from concerned departments may be invited to attend meetings.

Management committees membership and meetings held during 2015

Management committee membership	GRC	GCC	GALCO	GSC	GITC	GBDC	GOSC	GHCC	CPC
GCEO	●	●	●	●					●
EGM – GCBO	■	■	■	◉	■	●	■	■	■
EGM – GCOO	■		■	■	●	■	●	●	■
GM – GCRO	◉	■	■	■	■	■	■	■	■
GM – GCFO	■		◉	■		■			◉
GM – Group Chief Compliance Officer	□								□
GM – Group Chief Audit Executive	□								□
GM – Group Asset and Wealth Management		■				■			
GM – Group Communications						■			
GM – Group Corporate and Institutional Banking		■				◉			
GM – Group Administration and General Services					■		■		
GM – Group Human Capital								◉	
GM – Group Information Technology					◉		■		
GM – Group International Business Division					■	■	■	■	
GM – Group Retail Banking					■	■	■	■	
GM – Group Strategy	■		■	■	■	■		■	
GM – Group Treasury			■			■			
GM – Group Chief Credit Officer		◉							
Acting GM – Group Operations					■		◉		
AGM – Strategy and Business Development				○					
AGM – Trading			○						
AGM – Group Credit		○							
AGM – HC Strategy and Integration								■	
AGM – HC Services								■	
AGM Group Financial and Regulatory Reporting									■
Acting AGM – Operations Control and Excellence					■			○	
Head of Infrastructure					■				
Head of Development and User Services					■				
Head of Legal									□
Head of Planning and Governance					○				
Head of Cash Management Sales						○			
Head of Tenders and Contracts Admin									○
Head of Group Operational Risk	○								
EM – International HC Integration								■	
Number of meetings during the year	4	47	11	4	4	12	6	4	◇

● Chairman ◉ Vice Chairman ■ Member □ Non-voting member ○ Secretary
◇ Due to business requirements, decisions by the CPC are taken through circulation and not through meetings

Based on the corporate governance approach that the QNB Group has been implementing since 2007, specialised management committees were formed as detailed below:

> Group Risk Committee (GRC);
> Group Credit Committee (GCC);
> Group Assets and Liability Committee (GALCO);
> Group Strategy Committee (GSC);
> Group Information Technology Committee (GITC);
> Group Business Development Committee (GBDC);
> Group Operations and Services Committee (GOSC);
> Group Human Capital Committee (GHCC); and
> Centralised Purchasing Committee (CPC).

Group risk

Risk management within QNB Group is a key focus at all levels of the Bank. QNB Group adopts a centralised approach to risk management, complemented by local expertise and knowledge. This ensures proactive risk governance and management at the consolidated and the local level. QNB Group's Risk Appetite Statement is central to the Group's integrated approach to risk management and articulates the risk culture, governance and boundaries of QNB Group. The Risk Appetite Statement provides a framework for QNB Group's attitude towards risk-taking and is reviewed, reassessed and agreed alongside QNB Group's strategic and financial planning process.

QNB's risk profile and appetite are defined and managed by the BOD and the Group Risk Committee and then cascaded down to every Division, department and employee. In addition, QNB Group ensures regulatory compliance at a country level in line with best risk management practices.

Risk identification, monitoring and controlling

The identification of principal risks is a process overseen by the Group Risk Department. The material risks are regularly reported to the Group Risk Committee (GRC), together with a regular evaluation of the effectiveness of the risk-operating controls. The day-to-day governance is delegated through an ERM oversight structure and a robust risk control framework. For that reason, the risk management framework was further enhanced in 2015 through improved resourcing and enhanced functional capability.

Risk management

During 2015, Group Risk continued the efforts to build up a strong risk management framework to better serve the reputation and safety of the organisation. QNB risk exposures are monitored and mitigated through various specific mechanisms for risk assessment and control. The success of risk management in QNB Group is generated from the ability to focus on the roles and responsibilities defined for the BOD, executive management, various committees, officers and staff. Risk management is considered an important element for QNB Group to ensure continued profitability, and every employee in the Group is responsible for dealing with potential risks when carrying out his/her duties.

2015 marked an important milestone in QNB Group's risk management evolution. The Group completed a three-year plan to embed the next phase of its risk architecture, including people, processes and technology.

In particular, the Group increased its focus on enhancing Group-wide risk governance and implementation of the risk control framework involving regular portfolio and process reviews and efficiency improvements. This has resulted in effective control of the non-performing portfolio, operational risk losses, cyber and other fraud protections, preventions and exposure to market risk.

Another key development has been our risk management's improved operating focus towards a stakeholder value enhancement model. This implies application of risk appetite and risk-adjusted return evaluations to optimise capital and liquidity allocations, enabling better, risk-sensitive decision-making aligned with governance structures and QNB Group's strategic plans. Our ICAAP, recovery planning, contingency funding planning and BCP are integrated to provide management with a robust capability to take proactive decisions, thereby adding resilience against a volatile macro-operating environment.

Corporate governance continued

These critical achievements are being driven by substantial investments in forward-looking technology for risk management infrastructure, risk systems and change programmes. As noted above, the risk architecture envisaged in 2012 has seen successful completion this year, enabling more sophisticated business capacity as well as improved ability to service our banking relationships and customers worldwide. These investments in technology are also a critical factor in maintaining our capacity for growth as well as to maintain current and future competitive advantages.

In addition to these capabilities, we have also worked progressively on enhancing our regulatory relationships and compliance responsibilities across several local and international jurisdictions.

Operational risk overview

Operational risk frameworks are continually being enhanced and embedded with further implementation of data security systems, improved business continuity infrastructure and disaster recovery sites, as notable achievements in 2015. Data quality and reporting on key risk indicators continue to improve as the frameworks evolve, new risk staff members are recruited and risk awareness increases.

QNB Group's Board of Directors firmly believes that the application of a sound corporate governance framework is of vital importance and a fundamental component of the Group's business practices.

Cyber threats

Cyber threats are an inherent risk to any business with an electronic platform, especially in the financial sector globally where the biggest driver is economic gain. Qatar and QNB are not immune to these threats. The Group continually invests in their defences to protect the Bank from constantly evolving and increasingly sophisticated attacks. Specialist security staff in a dedicated department are engaged in detecting, monitoring and managing incidents. The Bank's security systems are best of breed, the framework is benchmarked against international standards, and we contract external specialists to test our defences. For example, phishing and spear phishing attacks are regular. This year we have introduced a one-time SMS password for our retail customers accessing QNB internet banking. This action has significantly reduced the risk of unauthorised accesses to customers' internet banking accounts. The fraudsters are aware of this and have evolved their modus operandi with attempted man-in-the-middle attacks, but our layered approach to our defences continues to thwart attackers.

Card fraud

Card fraud losses have reduced by 60% in 2015 due to additional controls implemented by the Bank on card transaction authorisations and the investment in state-of-the-art anti-skimming technology.

Global Credit Training Programme

QNB Group Risk launched a compulsory global credit training initiative – the OMEGA professional credit training programme. This was for credit officers and corporate business development staff who are directly or indirectly involved in the credit approval chain and loan administration regime at Group Head Office and relevant staff from overseas branches and subsidiaries. The key objective of this initiative was to enhance the staff's understanding of financial principles and comprehensive credit initiation, assessment and approval processes. It was intended that the training would advance their skills in managing risk, improving portfolio quality and protecting the Group's interests based on fundamental risk management principles and current international best market practice.

Internal modelling

This year, the Group introduced an advanced internal modelling approach to stress testing. It enables the generation of multiple scenario simulations and measures a range of impacts on the Bank's credit portfolio, at varying levels of confidence.

60% reduction in card fraud

in 2015 due to additional controls implemented by the Bank

Country and cross-border risk framework

The Group introduced a country and cross-border risk framework that enables the measurement and tracking of country exposures against Board-approved limits, and provides the mechanism for the cascade of Group risk appetite and allocations at regional and country level. The risk appetite framework ensures alignment with the Group vision and strategic goals by tracking current performance against risk appetite targets.

Looking ahead

In 2016, the Group's focus on risk will be to further inculcate a risk culture across the Bank and ensure all our regional hubs and territories embrace a consistent approach, which we are cascading from Group level. To assist this process, we rotate Group-level representatives of our Credit, Strategic and operational risk teams throughout our branches and representative offices, to train and advise staff to ensure a consistent approach, in line with QNB Group's risk appetite. This is done in close coordination with our Audit and Compliance teams with the ultimate aim that our people are empowered to undertake their roles with a deep understanding of their risk mitigation and reporting obligations.

Group internal audit

QNB Group Internal Audit Division (GIAD) is an independent function of the Group and provides assurance to the Board of Directors and senior management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes. Thereby, GIAD is helping the Board and senior management protect the organisation and the Group's reputation as well as serving the best interest of the shareholders. GIAD is headed by the Group Chief Audit Executive who reports to the Group Audit and Compliance Committee (GACC) of the Board of Directors. GIAD examines the existence and maintenance of adequate, effective and efficient internal control systems, risk management and governance systems and processes across the Group. In addition, GIAD provides independent assurance to the QNB Group Board to effectively exercise their ultimate responsibility in this regard.

Corporate governance continued

The Group Internal Audit Charter and Policy have been enhanced to align with the Basel Committee on Banking Supervision's recommended standards and to stay abreast with business expansion of the Group, with adequate oversight of the Group subsidiaries and affiliates. Risk-based audit continued to be the driving factor, with additional focus being placed on coverage of risk management policies, processes and capital adequacy in conformity with the regulatory requirements and Basel Committee guidelines and standards. Audit universe has been carefully monitored and progressively refined to consider and reflect Group business growth and business strategy. GIAD has substantially contributed to the analysis of Group quarterly and annual financial statements and other performance data. The presentation to the Group Audit and Compliance Committee (GACC) has been refined to focus on critical data and information that would enable effective monitoring and oversight of performance in various activities and jurisdictions.

The oversight of subsidiaries has been refined with focused scope and additional emphasis on the governance, risk management and internal control structures and frameworks as part of the oversight and assessment process. This will also enable GIAD to align the governance structure and arrangements in the subsidiaries with those of the Group, thereby promoting the achievement of the Group's strategic vision.

Group compliance

An independent compliance function is a key component of the Bank's second line of defence. Group compliance is responsible for, among other things, ensuring that the Bank operates with integrity and in compliance with applicable laws, regulations and internal policies.

It undertakes the identification, evaluation, monitoring and reporting on compliance risks, which include the risk of legal sanctions, legislative and financial loss, or damage to the reputation of the Group as a result of failure to abide by laws and regulations, the charter of professional conduct and the standards of good practices.

Compliance support to business

The integrity of the products and services offered by QNB Group is essential so that they meet the expectations of regulatory authorities and ultimately the Group's customers. During 2015, Group Compliance assisted in ensuring the compliance integrity of numerous activities and processes, and supported the Group's Business and Operations divisions to successfully obtain regulatory approvals from QCB, QFMA and other authorities.

Compliance Monitoring Programme (CMP)

QNB Group Compliance undertakes intensive efforts to maintain robust and dynamic CMP in order to adequately keep a permanent oversight and continuous monitoring of the various and detailed requirements of regulatory authorities. The CMP process entails identifying each requirement, the process owner(s), frequency of compliance assurance review, and the current status of each issue. The CMP also classifies and differentiates the permanent from one-off regulatory requirements.

QNB Group Code of Ethics: practical implementation

As in common global practice, QNB Group compliance draws the attention of the Board of Directors and executive management to the latest developments related to business best practices and conducts, in compliance with ethical and moral standards, in addition to implementation tools to enforce them across the Group. During 2015, Group compliance engaged with several related issues including enhancement of the declaration of conflict of interest, relationship with vendors, avoidance of inducement, disclosure of confidential information, proper management of staff accounts and investments, and dealing with media.

AML/CTF monitoring tools and achievements

Group compliance has initiated a diagnostic exercise in the Global AML/CTF framework to evaluate and initiate new actions and improvements based on the new international requirements. The exercise is intended to address strategic AML/CTF risk areas and prepare new enhancement programmes on a global basis to accommodate the regulatory and international best practices requirements, along with preparing the overseas branches located in the EU to comply with the Fourth Money Laundering Directive (4MLD).

Tax compliance

Due to the continuing change in the tax compliance landscape across the globe, and after having effectively implemented FATCA requirements, QNB has initiated the Common Reporting Standard (CRS) Programme. The CRS was developed by the OECD to tackle tax avoidance and evasion and improve tax compliance. The Group operates in a number of jurisdictions where it is required to report tax-related information regarding certain accounts and follow related due diligence procedures, consistent with the scope of information exchange and reporting standards.

QNB Group is committed to applying sound corporate governance rules as an integral part of the Group's culture and conduct.

Compliance sanctions awareness

Group compliance has prepared the 'Compliance Sanctions Framework and Manual'. As QNB is operating in a number of sanctioned/high-risk countries, the Group is committed to comply with the relevant sanctions programmes and the different laws and regulations in all related jurisdictions. Failure to comply with such sanctions programmes, or to prevent or manage the related risks, would not only constitute a breach of the regulatory requirements, but would also lead to significant reputational damage, legal and regulatory actions and financial loss for the Group. Accordingly, in 2015, Group compliance ensured that the framework establishes the roles and responsibilities within a governance structure that is designed to ensure the ongoing development, maintenance and oversight of the sanctions compliance function across the Group. Moreover, the framework satisfies the requirement of maintaining a high-level/restrictive monitoring system and the escalation and reporting requirements up to Board level.

Compliance training strategy: staff awareness is the starting point

Group Compliance has conducted various training programmes for the entire staff on compliance including AML/CTF, whistle-blowing, Chinese walls and sanctions, and has also developed attendance-monitoring tools to convey the importance of compliance ensuring employees have a united compliance culture across QNB Group. In 2015, there were special training programmes conducted as well as on a 'needs basis' for staff that needed special attention in AML/CTF matters. In addition, Group compliance is increasing the robustness of its training by enhancing the existing training materials with new concepts to aid understanding.

Corporate social responsibility

In this section we explain how we meet our responsibilities towards the communities we serve across the world.

Corporate social responsibility

Corporate social responsibility informs all our values

Because QNB Group's reputation is built on how we conduct ourselves to create meaningful value.

Below: Qatar
QNB signed a MoU with the Logistics Committee of the Ministry of Economy and Commerce and Manateq for one of the largest government projects in these economic sectors, focusing on three areas: South al-Wakra, Birkat al-Awamir and Aba Salil. The project aims to reduce investors' operating costs and improve their productivity.

Below: Oman
QNB Oman visit to The Royal Hospital with children to celebrate Garangao day.

QNB is an enabler of economic and social development, helping individuals, institutions and countries fulfil their aspirations. We understand the fundamental role we play as a bank and financial intermediary in our host communities and across multiple regions. We also understand that the value we create should not only be measured in economic and monetary terms – we have a broader role to fulfil.

In addition to the substantial value we create by enabling countries to build their essential infrastructure and develop vibrant businesses, we aim to raise living standards in the process and help communities more broadly. This is a fundamental requirement to meet our vision to become a MEA Icon by 2017.

Because much of our business is located in developing and emerging economies, we are particularly aware of the value we can bring by partnering with these economies on their journey of development. This mirrors the journey we have been on with Qatar for over 50 years, meeting its commitment to economic development for the country and personal development for its citizens – in line with the Qatar National Vision 2030.

CSR starts with our people and our values

Our first community is our people.

We are a business spread across multiple continents and have some 80 nationalities working with us. We are successful because we work in an atmosphere of mutual respect and in accordance with our values.

In the context of working to achieve our business strategy, we endeavour to give our people the opportunity to fulfil their aspirations – as we work to help many other communities meet theirs. We place the upmost importance in training, career development and annual reviews, so QNB and our employees can objectively track their progress and encourage a strong sense of belonging. This benefits our people, our reputation and acts as a value multiplier.

Acting ethically and responsibly

In all that we do, our fundamental message to all our people is QNB Group must both act and be seen to act with the utmost integrity and responsibility – this is the fundamental tool we use to build and maintain the trust of all our stakeholders, which we discuss in more detail in the adjoining Sustainability section.

On joining, all employees must sign the QNB Code of Ethics and Conduct, with its number one obligation on all staff to work in a relationship of trust and to add value through innovative and positive contributions to our business and our communities.

Six areas of community focus

We have identified six areas where QNB Group can add the most value to our communities. These are in addition to fulfilling our fundamental purpose as a financial intermediary, facilitating economic development. Our focus in the past has been on our domestic market, helping Qatar and its citizens. As we expand into new territories, we aim to bring this experience with us to new regions in the years ahead.

Above: Qatar
QNB hosted the Institute of International Finance meeting.

Area of community focus	Why it is a priority	Activities in 2015
Culture and arts	Culture and arts are the medium through which a nation manifests its heritage. They also help embed past traditions in future generations.	Supported Garangao (a traditional event held in mid-Ramadan in most of the GCC countries) merging the Qatari heritage with modern technology. We launched the Garangao Challenge Game on smartphones and tablets with images inspired by local buildings, including QNB's head office building. The Group also designated a special location to celebrate this occasion in which various contests were held for children, both in Qatar and in Oman. Supporting the Qatar camel race – a fixture of the nation's cultural and sporting calendar. Supporting Qatar's National Day – a celebration of the nation's history from the establishment of the State of Qatar through to its success today. We are very proud of the support we provide on this important day, which is across multiple venues and through a range of sponsorships.
Economic and international affairs	Hosting and participating in conferences and knowledge-sharing activities in economic and international affairs helps diversify national revenue sources, in Qatar and in emerging economies – a key aspiration.	Sponsored and hosted the meeting of the Institute of International Finance (IIF), the leading voice of the financial industry on global regulatory issues and a leading source of global economic and financial research on risks and policy challenges. The meeting included the participation of 700 senior professionals in the financial services sector from around the world. Sponsor of the 55th Annual Meeting of the World Federation of Exchanges, which was the first of its kind in the region. The meeting included discussing the role of exchanges in the advancement and growth of national economies. Sponsored the first Gulf Economic Forum, which was initiated to deliver the sustainable development plans of the region and to implement GCC economic integration programmes. QNB sponsored the forum because of its important role in enabling the private sector to convey its vision of economic development in GCC countries as well as eliminating trade barriers between them – promoting further economic development. Sponsored the inauguration of the Chinese Renminbi (RMB) Clearing and Settlement Centre in Doha. This will place Doha at the heart of Middle East-China trade, an important step to assist Qatar to meet its National Vision. It provides a significant 'East-West' corridor for those clients and businesses who wish to transact in RMB currency and do business in one of the largest economies in the world. Sponsored the annual Qatar Projects Conference and the fourth Qatar Transport Forum. Both focused on key infrastructure developments. Sponsored the Access to Financing SMEs and Entrepreneurs in the Arab World conference – promoting the diversification of national economies. This is in keeping with Qatar's (and the GCC's) desire to enable its citizens to build successful local, regional and global businesses beyond hydrocarbons, and is a key focus of the nation going forward.

Corporate social responsibility
continued

Area of community focus	Why it is a priority	Activities in 2015
Health and environment	Health infrastructure and services are fundamental to human well-being – as is a respect for the environment.	Supported a 'clean the beaches and islands' campaign in Qatar, in cooperation with the Ministry of Municipality and Urban Planning. QNB organised a similar campaign in Tunisia. Sponsored the first Qatar International Conference on Obesity and Metabolic Surgery and, in Kuwait, supported children in the heart surgery unit. Both were important sponsorship initiatives undertaken by QNB to contribute to the health of the citizens of the communities we operate in. We will explore more opportunities to contribute in 2016.
Social and humanitarian affairs	By promoting a spirit of volunteering, we help create more harmonious, united communities.	Sponsored the preparatory summit for youth participation in the 2016 International Summit for Humanitarian Work to be held in Turkey. Donated a fleet of three buses to IHSAN, the Qatar Foundation for Elderly People Care, which is dedicated to improving their lives and status. The buses will be used to transport Qatar care staff who provide home medical care and psychological support to the elderly. Sponsored the World Autism Awareness Day organised by the Al-Shafllah Centre for Children with Special Needs in Qatar. The Awareness Day aims to raise awareness about autism throughout society and promote the importance of early diagnosis, research and intervention.
Sports	Sporting participation and events are a hallmark of progress and a means to achieve healthy, vibrant people and communities.	Continued sponsorship of the Qatar Women's Sports Committee. Sponsored the Jeem TV football championship, fostering Arab children's football talents and skills. Ongoing support for the Qatar National Handball Team and the Equestrian Team. Main sponsor of the 2015 Handball World Cup and sponsor of the Qatari and Tunisian Handball National teams. Participated in the Qatari banks football championship. Title sponsor of the Indonesia Super League.
Education and youth	Education and how communities engage and give opportunities to their young people is a cornerstone of social and economic development.	Rolled out the QNB 'Money Made Easy' programme to promote financial literacy in children and young people. Provided educational materials to low-income schools in Egypt and Tunisia. Renovated 11 primary schools in different cities in Tunisia.

Sustainability

In 2015, QNB had no environmental sanctions or financial penalties

Operating sustainably is an enabler of our vision

In parallel with our journey to become a MEA Icon, we are also on a journey of sustainability. To QNB, sustainability means our business understands that its role encompasses obligations and value creation well beyond monetary returns for our shareholders. We believe it is important that we operate in a way that will not negatively affect future generations, but indeed leaves a positive legacy. We try to integrate in our day-to-day work the concept of triple bottom line where business goals are inseparable from the societies and environments within which we operate. It means we must operate and act responsibly and in a sustainable way, by trying to focus on social, cultural, economic and environmental concerns with a long-term perspective. We also aim to foster relationships of longevity with our employees. We do this through transparency and appropriate employee engagement and development.

In the adjoining CSR section of this report, we detail some of the steps we are taking to add social, cultural and economic value to our host communities. Below, we outline how we are working to help our business operate sustainably – both environmentally and socially.

A lower hydrocarbon footprint due to our roots in Qatar

Natural gas is a cleaner and more efficient source of energy than other competing hydrocarbons – particularly coal – and it is an essential bridge fuel to a lower carbon future for the planet. As a country with the third-largest gas reserves in the world and as the world's largest LNG exporter, Qatar is helping the world on this journey to a lower carbon future. At QNB, we leverage this advantage by securing this cleaner and more efficient source of energy to power our own business – significantly reducing our own carbon footprint. This also supports our approach more broadly, as we are seeking new ways to reduce our environmental impact – for example, by taking steps towards being a paper-free office.

The next stage of our journey is actively engaging in developing environmental management systems, and we will outline the steps we have made in this regard in our 2016 Annual Report.

Social responsibility – to our people and our communities

We operate our business with mutual respect at the forefront of our behaviours.

We respect our employees' aspirations and support women equally with men to aspire to senior leadership roles – which many are now moving to. In 2015, across our business our gender ratio was 59% male and 41% female, with women holding 15% of our senior leadership roles.

We are pleased with our staff turnover rate, which at 7.7%, is extremely low. We believe it reflects the inclusive environment we operate across the business – as well as reflecting our status as a MEA employer of choice. We also support our people through inductions on arrival and offer professional training to enable them to both execute their current roles and position them to advance their career.

Having the right people in the right position, with the right skills at the right time is one of our critical success factors. We work to achieve this goal within the context that we aim to support the national visions of the countries where we conduct our business. We do this, for example, by fully engaging with and complying with targets set by national and regional governments to create career opportunities for its citizens – right across our network. By doing so, QNB Group helps ensure that the long-term sovereignty and national identity of these countries are protected. In Qatar, this means we heavily invest in the country's nationalisation efforts. We do this through a wide range of programmes and outreach activities, including career fairs, university visits, open days and QNB Group awareness-raising initiatives. These are all undertaken with the aim of bringing Qatari nationals into our business and helping them build successful and long-term careers.

Right: Qatar
Staff training.

All of our activities to support the employment of local citizens are geared to attract suitably talented employees who can contribute to our business in a spirit of mutual respect and to help build our Group as a sustainable business.

When people join us, we regularly seek to understand the overall extent to which our employees feel passionate about their jobs, are committed to the organisation and are willing to go the extra mile. We measure this through our biennial employee engagement survey.

Acting ethically

As we discuss in our CSR report, all employees must sign our Code of Ethics. We have a zero tolerance towards bribery, money laundering and corruption in any form. We make every endeavour to ensure our tenders are transparent and our policies, procedures and governance are structured to eliminate any form of corruption and unethical behaviour – including conflicts of interest. We always act in the best interests of our customers. This approach is cascaded down from our independent Board of Directors, including our separate GCEO and Chairman and our senior executive team, to our 15,200-strong workforce.

QNB Group's compliance policy

To ensure our expected approach is consistent across the Group, particularly in a time of expansion, we have a compliance and anti-money laundering policy. Its overarching purpose is to set guidelines and standards, to preserve the Group's reputation and integrity, and to avoid any penalty imposed by regulatory bodies by ensuring that our activities are in proper compliance with all applicable laws, regulations and ethical standards.

The policy provides guidance in relation to compliance activities, complaint handling, know your customer (KYC), anti-money laundering (AML) and combating the financing of terrorism (CFT) measures, in addition to whistle-blowing, conflict of interest and Chinese walls.

All new staff are trained in the policy as part of their induction.

7.7%
staff turnover rate

Whistle-blowing

To ensure our people are comfortable reporting any perceived or actual breaches of our ethical standards and accepted ways of working, we have a dedicated whistle-blowing service. This is in accordance with our compliance policy which states that any person who, in good faith, raises concerns about or reports crimes, contraventions (including negligence, breach of contract, breach of law or requirements), miscarriages of justice, dangers to health and safety or the environment, and the cover up of any of these shall not be dismissed or otherwise penalised directly or indirectly. Importantly, the policy also states that no employee shall be punished or subjected to any detriment for having made a disclosure in good faith and allows reporting of incidents anonymously.

Anti-money laundering and combating terrorism financing

Our compliance policy states that if QNB becomes aware of facts which lead to the reasonable presumption that money held on deposit derives from criminal activity, or that transactions entered into are themselves criminal in purpose, appropriate measures, consistent with the prevailing law, shall be taken. To identify such money, we have developed procedures, systems and controls to do so and have trained our employees in them.

Right: Qatar
Top management leadership.

Financial statements

Qatar National Bank S.A.Q.
Independent auditor's report to the shareholders of Qatar National Bank S.A.Q.

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of Qatar National Bank S.A.Q. (the 'Bank') and its subsidiaries (together referred to as the 'Group') which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the applicable provisions of Qatar Central Bank regulations.

Report on other legal and regulatory requirements
We have obtained all the information and explanations which we consider necessary for the purpose of our audit. We further confirm that the financial information included in the Annual Report of the Board of Directors' is in agreement with the books and records of the Group and that we are not aware of any contraventions by the Bank of its Articles of Association, the applicable provisions of Qatar Central Bank Law No: 13 of 2012 and of the Qatar Commercial Companies Law No: 11 of 2015, during the financial year that would materially affect its activities or its financial position.

Firas Qoussous
of Ernst & Young
Qatar Auditor's Registry Number 236

Doha - State of Qatar
13 January 2016

Qatar National Bank S.A.Q.
Consolidated Statement of Financial Position
As at 31 December 2015
(All amounts are shown in thousands of Qatari Riyals)

	Notes	2015	2014
ASSETS			
Cash and balances with central banks	8	31,565,771	30,754,168
Due from banks	9	17,100,764	29,955,019
Loans and advances to customers	10	388,292,129	338,129,995
Investment securities	11	81,157,075	67,695,913
Investments in associates	12	7,950,721	7,963,437
Property and equipment	13	1,753,715	1,779,344
Intangible assets	14	5,377,758	5,461,265
Other assets	15	5,409,207	4,617,535
Total assets		**538,607,140**	**486,356,676**
LIABILITIES			
Due to banks	16	36,281,598	22,113,705
Customer deposits	17	395,190,302	357,491,479
Debt securities	18	16,342,420	21,779,361
Other borrowings	19	15,120,489	12,524,373
Other liabilities	20	13,616,933	14,485,832
Total liabilities		**476,551,742**	**428,394,750**
EQUITY			
Issued capital	22	6,997,294	6,997,294
Legal reserve	22	23,086,902	23,086,902
Risk reserve	22	5,000,000	3,500,000
Fair value reserve	22	283,607	573,808
Foreign currency translation reserve	22	(2,033,640)	(1,329,797)
Other reserves	22	1,212,210	1,706,123
Retained earnings	22	26,556,932	22,448,494
Total equity attributable to equity holders of the Bank		**61,103,305**	**56,982,824**
Non-controlling interests	23	952,093	979,102
Total equity		**62,055,398**	**57,961,926**
Total liabilities and equity		**538,607,140**	**486,356,676**

These consolidated financial statements were approved by the Board of Directors on 13 January 2016 and were signed on its behalf by:

Ali Shareef Al-Emadi
Chairman of the Board of Directors

Ali Ahmed Al-Kuwari
Group Chief Executive Officer

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Income Statement
For the year ended 31 December 2015
(All amounts are shown in thousands of Qatari Riyals)

	Notes	2015	2014
Interest income	24	20,019,476	18,666,333
Interest expense	25	(7,273,706)	(6,404,346)
Net interest income		**12,745,770**	**12,261,987**
Fee and commission income	26	2,499,966	2,326,643
Fee and commission expense		(257,049)	(211,787)
Net fee and commission income		**2,242,917**	**2,114,856**
Foreign exchange gain	27	746,295	814,952
Income from investment securities	28	162,418	96,522
Other operating income		5,036	126,532
Operating income		**15,902,436**	**15,414,849**
Staff expenses	29	(2,055,104)	(1,880,095)
Depreciation	13	(241,370)	(252,517)
Other expenses	30	(1,208,713)	(1,144,403)
Net impairment losses on investment securities		(179,774)	(89,951)
Net impairment losses on loans and advances to customers	10	(433,043)	(1,109,301)
Amortisation of intangible assets		(79,775)	(78,505)
Other provisions		(69,040)	(50,415)
		(4,266,819)	**(4,605,187)**
Share of results of associates	12	365,938	373,053
Profit before income taxes		**12,001,555**	**11,182,715**
Income tax expense		(672,791)	(665,077)
Profit for the year		**11,328,764**	**10,517,638**
Attributable to:			
Equity holders of the Bank		11,264,242	10,454,701
Non-controlling interests		64,522	62,937
Profit for the year		**11,328,764**	**10,517,638**
Basic and diluted earnings per share (QR)	31	16.1	14.9

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

(All amounts are shown in thousands of Qatari Riyals)

	Notes	2015	2014
Profit for the year		11,328,764	10,517,638
Other comprehensive income to be reclassified to income statement in subsequent periods:			
Foreign currency translation differences for foreign operations		(703,843)	(372,690)
Share of other comprehensive income of associates		(493,913)	(11,940)
Effective portion of changes in fair value of cash flow hedges	22	(17,329)	(941,850)
Available-for-sale investment securities:			
– Net change in fair value	22	(196,495)	126,081
– Net amount transferred to income statement	22	(76,377)	(12,377)
Total other comprehensive income for the year, net of income tax		**(1,487,957)**	**(1,212,776)**
Total comprehensive income for the year		**9,840,807**	**9,304,862**
Attributable to:			
Equity holders of the Bank		9,776,285	9,241,925
Non-controlling interests		64,522	62,937
Total comprehensive income for the year		**9,840,807**	**9,304,862**

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

Qatar National Bank S.A.Q.
Consolidated Statement of Changes in Equity
For the year ended 31 December 2015
(All amounts are shown in thousands of Qatari Riyals)

	Issued capital	Legal reserve	Risk reserve
Balance as at 1 January 2015	6,997,294	23,086,902	3,500,000
Total comprehensive income for the year			
Profit for the year	–	–	–
Total other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**–**	**–**
Transfer to risk reserve	–	–	1,500,000
Transfer to social and sports fund	–	–	–
Transactions with equity holders, recognised directly in equity			
Dividend for the year 2014 (note 22)	–	–	–
Net movement in non-controlling interests	–	–	–
Other movements	–	–	–
Total transactions with equity holders, recognised directly in equity	**–**	**–**	**–**
Balance as at 31 December 2015	**6,997,294**	**23,086,902**	**5,000,000**
Balance as at 1 January 2014	6,997,294	23,086,902	2,750,000
Total comprehensive income for the year			
Profit for the year	–	–	–
Total other comprehensive income	–	–	–
Total comprehensive income for the year	–	–	–
Transfer to risk reserve	–	–	750,000
Transfer to social and sports fund	–	–	–
Transactions with equity holders, recognised directly in equity			
Dividend for the year 2013	–	–	–
Net movement in non-controlling interests	–	–	–
Total transactions with equity holders, recognised directly in equity	**–**	**–**	**–**
Balance as at 31 December 2014	**6,997,294**	**23,086,902**	**3,500,000**

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Equity attributable to equity holders of the Bank	Non-controlling interests	Total
573,808	(1,329,797)	1,706,123	22,448,494	56,982,824	979,102	57,961,926
–	–	–	11,264,242	11,264,242	64,522	11,328,764
(290,201)	(703,843)	(493,913)	–	(1,487,957)	–	(1,487,957)
(290,201)	**(703,843)**	**(493,913)**	**11,264,242**	**9,776,285**	**64,522**	**9,840,807**
–	–	–	(1,500,000)	–	–	–
–	–	–	(195,520)	(195,520)	–	(195,520)
–	–	–	(5,247,971)	(5,247,971)	–	(5,247,971)
–	–	–	–	–	(91,531)	(91,531)
–	–	–	(212,313)	(212,313)	–	(212,313)
–	**–**	**–**	**(5,460,284)**	**(5,460,284)**	**(91,531)**	**(5,551,815)**
283,607	**(2,033,640)**	**1,212,210**	**26,556,932**	**61,103,305**	**952,093**	**62,055,398**
1,401,954	(957,107)	1,719,114	17,830,304	52,828,461	898,823	53,727,284
–	–	–	10,454,701	10,454,701	62,937	10,517,638
(828,146)	(372,690)	(12,991)	1,051	(1,212,776)	–	(1,212,776)
(828,146)	**(372,690)**	**(12,991)**	**10,455,752**	**9,241,925**	**62,937**	**9,304,862**
–	–	–	(750,000)	–	–	–
–	–	–	(189,456)	(189,456)	–	(189,456)
–	–	–	(4,898,106)	(4,898,106)	–	(4,898,106)
–	–	–	–	–	17,342	17,342
–	**–**	**–**	**(4,898,106)**	**(4,898,106)**	**17,342**	**(4,880,764)**
573,808	**(1,329,797)**	**1,706,123**	**22,448,494**	**56,982,824**	**979,102**	**57,961,926**

Qatar National Bank S.A.Q.
Consolidated Statement of Cash Flows
For the year ended 31 December 2015
(All amounts are shown in thousands of Qatari Riyals)

	Notes	2015	2014
Cash flows from operating activities			
Profit for the year before income taxes		12,001,555	11,182,715
Adjustments for:			
Interest income		(20,019,476)	(18,666,333)
Interest expense		7,273,706	6,404,346
Depreciation	13	241,370	252,517
Net impairment losses on loans and advances to customers	10	433,043	1,109,301
Net impairment losses on investment securities		179,774	89,951
Other provisions		12,969	12,940
Dividend income	28	(86,041)	(84,145)
Net gain on sale of property and equipment		(159)	(75,822)
Net gain on sale of available-for-sale investment securities	28	(76,377)	(12,377)
Amortisation of intangible assets		79,775	78,505
Net amortisation of premium or discount on financial investments		(27,148)	(25,906)
Net share of results of associates		(178,566)	(231,418)
		(165,575)	**34,274**
Changes in:			
Due from banks		(1,338,061)	(1,859,629)
Loans and advances to customers		(50,595,177)	(28,527,250)
Other assets		(372,896)	(43,723)
Due to banks		14,167,893	10,545,662
Customer deposits		37,698,823	23,328,455
Other liabilities		(2,391,977)	3,013,628
Cash (used in) / from operations		**(2,996,970)**	**6,491,417**
Interest received		19,546,140	18,439,829
Interest paid		(7,600,125)	(5,724,205)
Dividends received		86,041	84,145
Income tax paid		(661,824)	(524,930)
Other provisions paid		(5,372)	(3,414)
Net cash from operating activities		**8,367,890**	**18,762,842**
Cash flows from investing activities			
Acquisition of investment securities		(71,073,236)	(32,053,642)
Proceeds from sale / redemption of investment securities		55,220,622	42,314,443
Investments in associates	12	(49,909)	(2,101,929)
Additions of property and equipment	13	(290,301)	(691,901)
Proceeds from sale of property and equipment		1,833	83,212
Net cash (used in) / from investing activities		**(16,190,991)**	**7,550,183**
Cash flows from financing activities			
Repayment of debt securities		(5,460,750)	–
Proceeds from other borrowings		2,563,174	99,754
Dividends paid		(5,231,852)	(4,887,261)
Net cash used in financing activities		**(8,129,428)**	**(4,787,507)**
Net (decrease) / increase in cash and cash equivalents		**(15,952,529)**	**21,525,518**
Effects of exchange rate fluctuations on cash held		2,571,816	812,329
Cash and cash equivalents at 1 January		43,431,327	21,093,480
Cash and cash equivalents at 31 December	37	**30,050,614**	**43,431,327**

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

(All amounts are shown in thousands of Qatari Riyals)

1. Reporting entity

Qatar National Bank S.A.Q. ('QNB' or 'the Bank') was incorporated in the State of Qatar on 6 June 1964 as a Joint Stock Company under Emiri Decree No. 7 issued in 1964. The registered office of the Bank is in Doha, State of Qatar.

The Bank together with its subsidiaries (together referred to as the 'Group') is engaged in commercial and Islamic banking activities operating through its branches, associates and subsidiaries.

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of incorporation	Year of incorporation / acquisition	Ownership %
QNB International Holdings Limited	Luxembourg	2004	100%
CSI QNB Property	France	2008	100%
QNB Capital LLC	Qatar	2008	100%
QNB Banque Privée S.A.	Switzerland	2009	100%
QNB Syria	Syria	2009	50.8%
QNB Finance Ltd.	Cayman Islands	2010	100%
QNB Indonesia	Indonesia	2011	82.6%
QNB Financial Services SPC	Qatar	2011	100%
Al-Mansour Investment Bank	Iraq	2012	50.8%
QNB India Private Limited	India	2013	100%
QNB Tunisia	Tunisia	2013	99.96%
QNB ALAHLI	Egypt	2013	97.1%

2. Basis of preparation

a) Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and the applicable provisions of Qatar Central Bank ('QCB') regulations.

b) Basis of measurements
The consolidated financial statements have been prepared on the historical cost basis, except for the following items, which are measured at fair value:

> Derivative financial instruments;
> Available-for-sale financial investments; and
> Recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedge relationships to the extent of risks being hedged.

c) Functional and presentation currency
These consolidated financial statements are presented in Qatari Riyals ('QR'), which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information presented in QR has been rounded to the nearest thousands.

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3. Significant accounting policies

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

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at the end of the reporting period.

(i) Business combinations

For acquisitions meeting the definition of a business under IFRS 3, the acquisition method of accounting is used as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as the total of:

> The fair value of the consideration transferred; plus
> The recognised amount of any non-controlling interest in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
> The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When this total is negative, a bargain purchase gain is recognised immediately in the consolidated income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the consolidated income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the consolidated income statement.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date at fair value and any resulting gain or loss is recognised in the consolidated income statement. It is then considered in the determination of goodwill.

(ii) Subsidiaries

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

Control is 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.

The accounting policies of subsidiaries have been aligned to the Group accounting policies.

(iii) Loss of control

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

(iv) Non-controlling interests and transactions therewith

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of the acquiree's identifiable net assets.

Interests in the equity of subsidiaries not attributable to the Bank are reported in the consolidated equity as non-controlling interests. Profits or losses attributable to non-controlling interests are reported in the consolidated income statement as profit or loss attributable to non-controlling interests. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if doing so causes the non-controlling interest to have a deficit balance.

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

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are transferred to the consolidated income statement.

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

(v) Transactions eliminated on consolidation
Intra-group balances, transactions and unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated only to the extent that there is no impairment.

(vi) Associates
Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted using the equity method of accounting and are initially recognised at cost (including transaction costs directly related to acquisition of investment in the associate). The Group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement; its share of post-acquisition movements is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

For preparation of the consolidated financial statements, equal accounting policies for similar transactions and other events in similar circumstances are used.

Dilution gains and losses in associates are recognised in the consolidated income statement.

The Group's share of the results of associates is based on the financial statements made up to a date not earlier than three months before the date of the consolidated statement of financial position, adjusted to conform with the accounting policies of the Group. Intergroup gains on transactions are eliminated to the extent of the Group's interest in the investee.

(vii) Funds management
The Group manages and administers assets held in unit trusts and other investment vehicles on behalf of investors. The financial statements of these entities are not included in these consolidated financial statements, except when the Group controls the entity. Information about the Group's funds management is set out in note 35.

b) Foreign currency

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

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

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

Changes in the fair value of monetary investment securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of security. Translation differences related to changes in amortised cost are recognised in the consolidated income statement, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

3. Significant accounting policies (continued)

(ii) Foreign operations
The results and financial position of all the Group's entities, that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

> Assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
> Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
> All resulting exchange differences are recognised in other comprehensive income.

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

When a foreign operation is disposed of, or partially disposed of, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of the net investment in the foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

c) Financial assets and financial liabilities

(i) Recognition and initial measurement
The Group initially recognises loans and advances to customers, due from / to banks, customer deposits, debt securities and other borrowings on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification

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

> Loans and receivables;
> Held to maturity; or
> Available-for-sale.

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

(iii) Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in the consolidated income statement.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to repurchase transactions as the Group retains all or substantially all the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iv) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(v) Measurement principles

Amortised cost measurement

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market of the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability which the Group has access to as at that date.

The Group measures the fair value of listed investments at the market bid price for the investment. For unlisted investments, the Group recognises any increase in the fair value, when they have reliable indicators to support such an increase. These reliable indicators are limited to the most recent transactions for the specific investment or similar investments made in the market on a commercial basis between desirous and informed parties. In the absence of a reliable measure of fair value, the unlisted equity investment is carried at cost.

The fair value of investments in mutual funds and portfolios whose units are unlisted are measured at the net asset value adjusted for market characteristics reported as at the end of the reporting period.

Assets and long positions are measured at bid price; liabilities and short positions are measured at asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and includes adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

(vi) Identification and measurement of impairment

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

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

The Group considers evidence of impairment loss for loans and advances to customers and held to maturity investment securities at both a specific asset and collective level. All individually significant loans and advances to customers and held to maturity investment securities are assessed for specific impairment. All individually significant loans and advances to customers and held to maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances to customers and held to maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances to customers and held to maturity investment securities with similar risk characteristics.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the consolidated income statement and reflected in an allowance account against loans and advances to customers when it pertains to loans and advances originated by the Group. Impairment of held to maturity investment securities are recorded and disclosed under a separate impairment allowance account.

3. Significant accounting policies (continued)

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

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to the consolidated income statement as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to the consolidated income statement is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss in respect of a financial asset carried at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

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

d) Cash and cash equivalents

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

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

e) Due from banks

Due from banks are financial assets which are mainly money market placements with fixed or determinable payments and fixed maturities that are not quoted in an active market. Money market placements are not entered into with the intention of immediate or short-term resale. Due from banks are initially measured at cost, being the fair value of the consideration given.

Following the initial recognition, due from banks are stated at cost less any amount written off and impairment, if any.

f) Loans and advances to customers

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

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

Following the initial recognition, loans and advances are stated at the amortised cost less any amounts written off and allowances for impairment, if any.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the Group's financial statements.

g) Investment securities

Subsequent to initial recognition investment securities are accounted for depending on their classification as either 'held to maturity' or 'available-for-sale'.

(i) Held to maturity financial assets

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

Held to maturity investments are carried at amortised cost using the effective interest rate method.

(ii) Available-for-sale financial assets

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial asset. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost less impairment, and all other available-for-sale investments are carried at fair value.

Interest income is recognised in the consolidated income statement using the effective interest rate method. Foreign exchange gains or losses on available-for-sale debt securities are recognised in the consolidated income statement.

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

h) Derivatives

(i) Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value on the statement of financial position. The Group designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging derivative instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss. These hedging relationships are discussed below.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest rate method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income in the hedging reserve. The amount recognised in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of comprehensive income. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. In a discontinued hedge of a forecast transaction the cumulative amount recognised in other comprehensive income from the period when the hedge was effective is reclassified from equity to profit or loss as a reclassification adjustment when the forecast transaction occurs and affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is reclassified immediately to the consolidated income statement as a reclassification adjustment.

Other non-trading derivatives

When a derivative is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the consolidated income statement.

(ii) Derivatives held for trading purposes

The Group's derivative trading instruments includes forward foreign exchange contracts and interest rate swaps. The Group sells these derivatives to customers in order to enable them to transfer, modify or reduce current and future risks. These derivative instruments are fair valued as at the end of the reporting date and the corresponding fair value changes are taken to the consolidated income statement.

i) Property and equipment

(i) Recognition and measurement

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

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

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

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

3. Significant accounting policies (continued)

(ii) Subsequent costs
The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in the consolidated income statement as incurred.

(iii) Depreciation
The depreciable amount is the cost of property and equipment, or other amount substituted for cost, less its residual value.

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

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

	Years
Buildings	10 to 50
Equipment and furniture	3 to 10
Motor vehicles	5
Leasehold improvements	4 to 10

Freehold land is stated at cost.

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

j) Intangible assets
Goodwill that arises upon the acquisition of subsidiaries is included under intangible assets. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Intangible assets also include Core Deposit Intangibles ('CDI') acquired in a business combination which are recognised at fair value at the acquisition date. CDI has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of CDI and licences over their estimated useful life ranging between 6 and 12 years. Intangible assets (such as operating licenses) with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the Cash Generating Unit ('CGU') level.

k) Impairment of non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflow from continuing use, that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated, so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in the consolidated income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date, for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

m) Financial guarantees

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee liabilities are recognised initially at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The financial guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment when a payment under the guarantee has become probable. Financial guarantees are included within other liabilities.

n) Employee benefits

Defined benefit plan – expatriate employees

The Group makes a provision for all termination indemnity payable to employees in accordance with its regulations, calculated on the basis of the individual's final salary and period of service at the end of the reporting period. The expected costs of these benefits are accrued over the period of employment. The provision for employees' termination benefits is included in other provisions within other liabilities.

Defined contribution scheme – Qatari employees

With respect to Qatari employees, the Group makes a contribution to the State administered Qatari Pension Fund calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions. The cost is considered as part of staff expenses and is disclosed in note 29.

o) Share capital and reserves

(i) Share issue costs

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

(ii) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the year that are declared after the end of the reporting period are dealt as a separate disclosure.

p) Interest income and expense

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

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

Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability. Interest income and expense include:

> Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
> The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period that the hedged cash flows affect interest income / expense;
> The ineffective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of interest rate risk; and
> Fair value changes in qualifying derivatives, including hedge ineffectiveness, and related hedged items in fair value hedges of interest rate risk.

Interest income on available-for-sale investment (debt) securities and held to maturity investment securities is calculated using effective interest rate method and is also included in interest income.

3. Significant accounting policies (continued)

q) Fee and commission income and expense

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

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

r) Income from investment securities

Gains or losses on the sale of investment securities are recognised in the consolidated income statement as the difference between fair value of the consideration received and the carrying amount of the investment securities.

s) Dividend income

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

t) Taxation

Taxes are calculated based on tax laws and regulations in other countries in which the Group operates. A tax provision is made based on an evaluation of the expected tax liability. The Group operations inside Qatar are not subject to income tax, except for QNB Capital LLC whose profits are subject to tax as per the Qatar Financial Center Authority tax regulations. Deferred tax assets are recognised for deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent it is probable that taxable profit will be available to utilise these. Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets and liabilities are measured using tax rates and applicable legislation enacted as at the reporting date.

u) Earnings per share

The Bank presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

v) Segment reporting

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

w) Fiduciary activities

The Group acts as fund manager and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, corporates and other institutions. These assets and any income arising thereon are excluded from these consolidated financial statements, as they are not assets of the Group.

x) Repossessed collateral

Repossessed collaterals against settlement of customers' debts are stated within the consolidated statement of financial position under 'Other assets' at their acquisition value net of allowance for impairment.

According to QCB instructions, the Group should dispose of any land and properties acquired against settlement of debts within a period not exceeding three years from the date of acquisition although this period can be extended after obtaining approval from QCB.

y) Comparatives

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

z) Parent bank financial information

Statement of financial position and income statement of the parent bank as disclosed in the supplementary information to the consolidated financial statements are prepared following the same accounting policies as mentioned above except for investment in subsidiaries, associates and joint ventures, which are not consolidated and carried at cost.

(All amounts are shown in thousands of Qatari Riyals)

aa) New standards and amendments to standards
The following amendments to IFRS and new IFRSs have been applied by the Group in preparation of these consolidated financial statements. The below were effective from 1 January 2015:

Standard
Defined Benefit Plans: Employee Contributions (Amendment to IAS 19)
Annual Improvements 2010 – 2012 Cycle
Annual Improvements 2011 – 2013 Cycle

The adoption of the above did not result in any changes to previously reported net profit or equity of the Group.

Standards issued but not yet effective
The below mentioned standards, interpretations and amendments to standards are not yet effective. The Group is currently evaluating the impact of these new standards. The Group will adopt these new standards on the respective effective dates.

Standard	Effective date
IFRS 9 Financial Instruments	01/01/2018
IFRS 14 Regulatory Deferral Accounts	01/01/2016
IFRS 15 Revenue from Contracts with Customers	01/01/2018
Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisition of Interests	01/01/2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	01/01/2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	01/01/2016
Amendments to IAS 1: Disclosure Initiative	01/01/2016
Amendments to IFRS 10, IFRS 12 and IAS 28: Applying the Consolidation Exception	01/01/2016

4. Financial risk management

I. Financial instruments

Definition and classification
Financial instruments cover all financial assets and liabilities of the Group. Financial assets include cash balances, on demand balances and placements with banks, investment securities, loans and advances to customers and banks and certain other financial assets. Financial liabilities include customer deposits, due to banks and certain other financial liabilities. Financial instruments also include contingent liabilities and commitments included in off-balance sheet items and derivative financial instruments.

Note 3 explains the accounting policies used to recognise and measure the major financial instruments and their related income and expense.

II. Risk management

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

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

Risk management structure
The Board of Directors is ultimately responsible for identifying and controlling risks, however, there are separate independent bodies responsible for managing and monitoring risks.

Risk Committee
The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

Risk measurement and reporting systems
Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries.

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

Internal Audit
Risk management processes throughout the Group are audited by the Group Internal Audit function, as part of each audit which examines both the adequacy and compliance with the procedures, in addition to the specific audit of the Group risk function itself as per the approved audit plan. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations to the Group Audit and Compliance Committee.

Risk mitigation
As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks and exposures arising from forecast transactions. The risk profile is assessed before entering into hedge transactions, which are authorised by the appropriate level of seniority within the Group. The effectiveness of all hedge relationships is monitored by Risk Management on a monthly basis. In a situation of hedge ineffectiveness, the Group will enter into a new hedge relationship to mitigate risk on a continuous basis.

b) Credit risk
The Group manages its credit risk exposure through diversification of its investments, capital markets and lending and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains collaterals where appropriate. The types of collaterals obtained may include cash, treasury bills and bonds, mortgages over real estate properties and pledges over shares.

The Group uses the same credit risk procedures when entering into derivative transactions as it does for traditional lending products.

Note 10 discloses the distribution of loans and advances and financing activities by industrial sector. Note 33 discloses the geographical distribution of the Group's assets and liabilities.

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

	Gross maximum exposure	
	2015	**2014**
Cash and balances with central banks (excluding cash on hand)	26,417,352	25,792,397
Due from banks	17,100,764	29,955,019
Loans and advances to customers	388,292,129	338,129,995
Investment securities	78,799,227	65,920,817
Other assets	4,488,214	3,783,339
	515,097,686	**463,581,567**
Guarantees	46,391,681	37,758,889
Letters of credit	10,837,060	9,020,818
Unutilised credit facilities	52,447,682	44,457,004
Total	**624,774,109**	**554,818,278**

(All amounts are shown in thousands of Qatari Riyals)

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

An industry sector analysis of the Group's financial assets and contingent liabilities, before and after taking into account collateral held or other credit enhancements, is as follows:

	Gross maximum exposure 2015	Net maximum exposure 2015	Gross maximum exposure 2014	Net maximum exposure 2014
Government	122,640,902	–	97,556,831	–
Government agencies	153,502,145	41,982,778	156,970,794	38,013,192
Industry	24,096,227	21,064,373	21,772,178	16,556,983
Commercial	22,053,942	1,727,857	18,498,002	8,833,307
Services	94,712,640	59,397,471	76,353,787	30,826,938
Contracting	9,323,308	4,534,765	6,026,303	2,573,353
Real estate	42,821,970	4,745,336	38,795,465	10,874,115
Personal	38,339,766	13,058,491	30,879,063	23,332,682
Others	7,606,786	6,910,514	16,729,144	14,397,919
Guarantees	46,391,681	46,391,681	37,758,889	37,758,889
Letters of credit	10,837,060	10,837,060	9,020,818	9,020,818
Unutilised credit facilities	52,447,682	52,447,682	44,457,004	44,457,004
Total	**624,774,109**	**263,098,008**	**554,818,278**	**236,645,200**

d) Credit risk exposure for each internal risk rating

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

Equivalent grades	2015	2014
AAA to AA-	154,746,273	131,084,048
A+ to A-	229,824,136	190,661,715
BBB+ to BBB-	3,603,693	3,206,388
BB+ and below	62,467,088	59,507,149
Unrated	174,132,919	170,358,978
Total	**624,774,109**	**554,818,278**

Unrated exposures represent credit facilities granted to corporations and individuals which do not have external credit ratings but were rated as per the applicable provisions of QCB regulations. Also, the ratings used by the Group are in line with the ratings and definitions published by international rating agencies.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

e) Credit quality

	Due from banks		Loans and advances to customers		Investment securities (debt)	
	2015	2014	2015	2014	2015	2014
Neither past due nor impaired						
A: low risk	12,751,181	26,072,157	246,970,276	240,724,489	51,995,283	42,183,286
B: standard risk	4,349,583	3,882,862	140,756,148	97,182,099	26,845,776	23,766,495
Total	**17,100,764**	**29,955,019**	**387,726,424**	**337,906,588**	**78,841,059**	**65,949,781**
Past due but not impaired						
A: low risk	–	–	107,614	161,045	–	–
B: standard risk / watchlist	–	–	1,981,918	1,409,951	–	–
Total	**–**	**–**	**2,089,532**	**1,570,996**	**–**	**–**
Impaired						
Substandard	–	–	665,261	570,729	–	–
Doubtful	–	–	315,946	513,850	–	–
Loss	–	–	4,588,303	4,494,273	15,937	37,071
Sub total	**–**	**–**	**5,569,510**	**5,578,852**	**15,937**	**37,071**
Less: impairment allowance	–	–	(7,093,337)	(6,926,441)	(57,769)	(66,035)
Net carrying amounts	**17,100,764**	**29,955,019**	**388,292,129**	**338,129,995**	**78,799,227**	**65,920,817**

At 31 December 2015 and 2014, none of the other assets were either past due or impaired.

Investment securities – debt	2015	2014
Held to maturity	35,956,593	34,160,670
Available-for-sale	42,900,403	31,826,182
	78,856,996	**65,986,852**
Less: impairment allowance	(57,769)	(66,035)
Net carrying amount	**78,799,227**	**65,920,817**

Ageing analysis of past dues but not impaired per category of loans and advances to customers

	Less than 30 days	31-60 days	61-90 days	Total
As at 31 December 2015				
Corporate lending	571,781	681,300	51,610	1,304,691
Small business lending	9,614	4,940	11,895	26,449
Consumer lending	442,912	87,050	49,971	579,933
Residential mortgages	108,660	36,305	33,494	178,459
Total	**1,132,967**	**809,595**	**146,970**	**2,089,532**
As at 31 December 2014				
Corporate lending	655,886	128,645	117,042	901,573
Small business lending	47,671	7,345	3,359	58,375
Consumer lending	360,259	169,750	22,098	552,107
Residential mortgages	17,158	41,730	53	58,941
Total	**1,080,974**	**347,470**	**142,552**	**1,570,996**

(All amounts are shown in thousands of Qatari Riyals)

f) Renegotiated loans and advances

	2015	2014
Corporate lending	1,701,323	1,768,352
Small business lending	17,606	55,313
Consumer lending	225,207	70,717
Residential mortgages	21,039	–
Total	**1,965,175**	**1,894,382**

g) Market risk
The Group takes on exposure to market risks from interest rates, foreign exchange rates and equity prices due to general and specific market movements. The Group applies an internal methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Group has a set of limits on the value of risk that may be accepted, which is monitored on a daily basis.

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

	Change in equity price %	Effect on other comprehensive income 2015	Change in equity price %	Effect on other comprehensive income 2014
Market indices				
Qatar exchange	±10	143,083	±10	75,242

h) Operational risk
Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel and other risks having an operational risk impact. The Group seeks to minimise actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage and report those risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

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

j) Risk of managing customer investments
The Group provides custody and corporate administration to third parties in relation to mutual funds marketed or managed by the Group. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures and internal audits to assure compliance. Note 35 lists the funds marketed by the Group.

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

k) Interest rate risk

Interest rate risk reflects the risk of a change in interest rates, which might affect future earnings or the fair value of financial instruments. Exposure to interest rate risk is managed by the Group using, where appropriate, various off-balance sheet instruments, primarily interest rate swaps. Maturities of assets and liabilities have been determined on the basis of contractual pricing. The following table summarises the repricing profile of the Group's assets, liabilities and off-balance sheet exposures:

	Within 3 months	3-12 months	1-5 years	More than 5 years	Non-interest sensitive	Total	Effective interest rate
As at 31 December 2015:							
Cash and balances with central banks	4,685,411	–	–	–	26,880,360	31,565,771	
Due from banks	15,895,096	648,306	–	–	557,362	17,100,764	1.64%
Loans and advances to customers	192,473,246	57,969,518	125,687,043	11,918,300	244,022	388,292,129	4.45%
Investments	11,608,068	18,259,328	39,552,073	9,379,758	10,308,569	89,107,796	6.12%
Other assets	–	–	–	–	12,540,680	12,540,680	
Total assets	**224,661,821**	**76,877,152**	**165,239,116**	**21,298,058**	**50,530,993**	**538,607,140**	
Due to banks	28,687,926	6,891,377	49,613	–	652,682	36,281,598	1.63%
Customer deposits	232,595,364	105,422,913	11,993,901	92,848	45,085,276	395,190,302	1.64%
Debt securities	2,730,376	–	13,612,044	–	–	16,342,420	
Other borrowings	14,059,486	800,038	260,965	–	–	15,120,489	
Other liabilities	–	–	–	–	13,616,933	13,616,933	
Total equity	–	–	–	–	62,055,398	62,055,398	
Total liabilities and equity	**278,073,152**	**113,114,328**	**25,916,523**	**92,848**	**121,410,289**	**538,607,140**	
Balance sheet items	(53,411,331)	(36,237,176)	139,322,593	21,205,210	(70,879,296)	–	
Off-balance sheet items	21,488,080	10,093,332	(18,522,663)	(13,058,749)	–	–	
Interest rate sensitivity gap	**(31,923,251)**	**(26,143,844)**	**120,799,930**	**8,146,461**	**(70,879,296)**	**–**	
Cumulative interest rate sensitivity gap	**(31,923,251)**	**(58,067,095)**	**62,732,835**	**70,879,296**	**–**	**–**	
As at 31 December 2014:							
Cash and balances with central banks	7,937,137	–	–	–	22,817,031	30,754,168	
Due from banks	23,616,924	3,379,693	1,820,250	–	1,138,152	29,955,019	0.76%
Loans and advances to customers	160,578,639	53,823,668	120,230,592	2,492,801	1,004,295	338,129,995	4.48%
Investments	9,585,599	9,982,750	37,580,191	8,772,277	9,738,533	75,659,350	6.14%
Other assets	–	–	–	–	11,858,144	11,858,144	
Total assets	**201,718,299**	**67,186,111**	**159,631,033**	**11,265,078**	**46,556,155**	**486,356,676**	
Due to banks	14,165,440	7,468,372	29,030	–	450,863	22,113,705	1.78%
Customer deposits	185,429,675	121,850,775	7,480,046	78,592	42,652,391	357,491,479	1.65%
Debt securities	2,730,376	5,451,308	9,978,921	3,618,756	–	21,779,361	
Other borrowings	11,327,535	235,634	958,605	2,599	–	12,524,373	
Other liabilities	–	–	–	–	14,485,832	14,485,832	
Total equity	–	–	–	–	57,961,926	57,961,926	
Total liabilities and equity	**213,653,026**	**135,006,089**	**18,446,602**	**3,699,947**	**115,551,012**	**486,356,676**	
Balance sheet items	(11,934,727)	(67,819,978)	141,184,431	7,565,131	(68,994,857)	–	
Off-balance sheet items	25,656,149	6,633,300	(21,500,706)	(10,788,743)	–	–	
Interest rate sensitivity gap	**13,721,422**	**(61,186,678)**	**119,683,725**	**(3,223,612)**	**(68,994,857)**	**–**	
Cumulative interest rate sensitivity gap	**13,721,422**	**(47,465,256)**	**72,218,469**	**68,994,857**	**–**	**–**	

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

l) Interest rate sensitivity

The following table demonstrates the sensitivity to a possible and reasonable change in interest rates, with all other variables held constant, of the Group's income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of non-trading financial assets and financial liabilities including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges and swaps designated as cash flow hedges. The sensitivity of equity is analysed by maturity of the asset or swap. Total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

			Sensitivity of other comprehensive income				
2015	Increase in basis points	Sensitivity of net interest income	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
Currency							
Qatari Riyal	10	(1,345)	71	3,011	339,408	8,552	351,042
US$	10	(52,126)	(3,710)	(21,465)	(21,706)	22,223	(24,658)
Euro	10	382	(327)	41	533	(9,533)	(9,286)
Pounds Sterling	10	4,732	(1,175)	(3,342)	(135)	(15,764)	(20,416)
Other currencies	10	9,722	(866)	(4,506)	11,916	29,209	35,753

			Sensitivity of other comprehensive income				
2015	Decrease in basis points	Sensitivity of net interest income	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
Currency							
Qatari Riyal	10	1,345	(71)	(3,011)	(339,408)	(8,552)	(351,042)
US$	10	52,126	3,710	21,465	21,706	(22,223)	24,658
Euro	10	(382)	327	(41)	(533)	9,533	9,286
Pounds Sterling	10	(4,732)	1,175	3,342	135	15,764	20,416
Other currencies	10	(9,722)	866	4,506	(11,916)	(29,209)	(35,753)

			Sensitivity of other comprehensive income				
2014	Increase in basis points	Sensitivity of net interest income	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
Currency							
Qatari Riyal	10	(363)	5,310	(3,631)	65,947	796	68,422
US$	10	(3,276)	15,101	(14,205)	3,434	3,084	7,414
Euro	10	2,751	(711)	4,774	1,059	–	5,122
Pounds Sterling	10	(8,522)	(7,379)	(1,135)	465	–	(8,049)
Other currencies	10	(3,325)	(1,151)	105	44	3,492	2,490

			Sensitivity of other comprehensive income				
2014	Decrease in basis points	Sensitivity of net interest income	Within 3 months	3-12 months	1-5 years	More than 5 years	Total
Currency							
Qatari Riyal	10	2,835	(5,453)	3,041	(45,442)	(876)	(48,730)
US$	10	5,830	(15,989)	12,432	(2,423)	(3,392)	(9,372)
Euro	10	(2,273)	538	(5,232)	193	–	(4,501)
Pounds Sterling	10	8,806	6,595	1,019	388	–	8,002
Other currencies	10	4,147	847	(222)	387	(3,841)	(2,829)

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

m) Liquidity risk

Liquidity risk is the risk that an institution will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Group has a diversification of funding sources and a diversified portfolio of high quality liquid assets and readily marketable securities. The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

	Within 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2015:						
Cash and balances with central banks	15,340,996	–	–	–	16,224,775	31,565,771
Due from banks	9,971,956	765,971	4,179,106	1,940,367	243,364	17,100,764
Loans and advances to customers	25,653,933	25,783,012	56,219,259	211,534,781	69,101,144	388,292,129
Investments	6,481,768	5,189,374	18,353,435	39,612,721	19,470,498	89,107,796
Other assets	2,789,199	158,509	2,373,866	1,590,702	5,628,404	12,540,680
Total assets	**60,237,852**	**31,896,866**	**81,125,666**	**254,678,571**	**110,668,185**	**538,607,140**
Due to banks	23,926,089	6,058,066	4,707,225	1,590,218	–	36,281,598
Customer deposits	219,759,456	58,153,381	99,018,404	18,166,213	92,848	395,190,302
Debt securities	–	–	2,730,376	13,612,044	–	16,342,420
Other borrowings	107,811	618,046	2,716,192	11,678,440	–	15,120,489
Other liabilities and equity	5,761,778	6,347,469	1,354,211	150,353	62,058,520	75,672,331
Total liabilities and equity	**249,555,134**	**71,176,962**	**110,526,408**	**45,197,268**	**62,151,368**	**538,607,140**
Difference	**(189,317,282)**	**(39,280,096)**	**(29,400,742)**	**209,481,303**	**48,516,817**	**–**
As at 31 December 2014:						
Cash and balances with central banks	18,676,251	–	–	–	12,077,917	30,754,168
Due from banks	23,664,981	1,090,095	3,379,693	1,820,250	–	29,955,019
Loans and advances to customers	30,175,578	13,896,278	53,131,831	196,039,189	44,887,119	338,129,995
Investments	3,554,068	5,834,065	10,050,658	37,712,386	18,508,173	75,659,350
Other assets	4,484,307	62,037	97,807	1,624,307	5,589,686	11,858,144
Total assets	**80,555,185**	**20,882,475**	**66,659,989**	**237,196,132**	**81,062,895**	**486,356,676**
Due to banks	11,497,968	3,118,335	7,468,372	29,030	–	22,113,705
Customer deposits	181,535,917	48,085,418	120,392,190	7,467,325	10,629	357,491,479
Debt securities	–	–	5,451,308	12,709,296	3,618,757	21,779,361
Other borrowings	1,963,792	672,778	7,506,435	2,378,769	2,599	12,524,373
Other liabilities and equity	5,003,459	7,578,139	1,417,584	223,305	58,225,271	72,447,758
Total liabilities and equity	**200,001,136**	**59,454,670**	**142,235,889**	**22,807,725**	**61,857,256**	**486,356,676**
Difference	**(119,445,951)**	**(38,572,195)**	**(75,575,900)**	**214,388,407**	**19,205,639**	**–**

The Group's liquidity ratio is set at 100% which is maintained by the Group. The definition of items included for liquidity ratio is consistent with Qatar Central Bank regulations.

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

Maturity analysis (financial liabilities and derivatives)

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted repayment obligations.

	Within 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2015:						
Due to banks	23,956,928	6,151,375	4,893,843	1,963,460	–	36,965,606
Customer deposits	220,332,347	59,874,547	102,475,712	18,166,213	93,098	400,941,917
Debt securities	18,593	27,203	2,952,554	14,365,713	–	17,364,063
Other borrowings	107,928	623,088	2,722,795	11,682,820	–	15,136,631
Derivative financial instruments						
– Contractual amounts payable – forward contracts	8,903,707	16,477,270	14,074,312	–	–	39,455,289
– Contractual amounts receivable – forward contracts	(9,362,906)	(16,176,400)	(13,973,879)	–	–	(39,513,185)
– Contractual amounts payable / (receivable) – others	30,896	34,696	231,556	235,892	37,103	570,143
Total liabilities	**243,987,493**	**67,011,779**	**113,376,893**	**46,414,098**	**130,201**	**470,920,464**
As at 31 December 2014:						
Due to banks	11,515,023	3,132,212	7,568,075	29,547	–	22,244,857
Customer deposits	182,005,905	48,247,137	121,431,395	8,323,435	15,929	360,023,801
Debt securities	18,383	49,008	5,801,539	13,846,741	3,661,250	23,376,921
Other borrowings	1,964,471	693,148	7,559,540	2,394,064	2,599	12,613,822
Derivative financial instruments						
– Contractual amounts payable – forward contracts	13,155,337	13,642,393	3,849,135	73,702	–	30,720,567
– Contractual amounts receivable– forward contracts	(13,206,542)	(13,763,634)	(3,772,086)	(73,710)	–	(30,815,972)
– Contractual amounts payable / (receivable) – others	90,743	131,679	138,518	236,109	40,478	637,527
Total liabilities	**195,543,320**	**52,131,943**	**142,576,116**	**24,829,888**	**3,720,256**	**418,801,523**

n) Liquidity risk and funding management

The table below summarises the contractual expiry dates by maturity of contingent liabilities:

	On demand	1-3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2015:						
Contingent liabilities	33,252,004	29,104,103	49,511,585	12,278,901	12,617,635	**136,764,228**
As at 31 December 2014:						
Contingent liabilities	20,755,525	26,216,525	46,872,268	9,894,743	10,619,450	**114,358,511**

(All amounts are shown in thousands of Qatari Riyals)

4. Financial risk management (continued)

o) Currency risk

The Group takes on exposure to the effect of fluctuations in prevailing foreign currency exchange rates on its financial position. The Group has a set of limits on the level of currency exposure, which are monitored daily. The Group has the following significant net exposures denominated in foreign currencies:

	QR	US$	Euro	Pounds Sterling	Other currencies	Total
As at 31 December 2015:						
Assets	250,227,539	134,731,302	29,091,545	29,294,975	95,261,779	**538,607,140**
Liabilities and equity	180,536,357	217,675,112	29,509,381	29,302,230	81,584,060	**538,607,140**
Net exposure	**69,691,182**	**(82,943,810)**	**(417,836)**	**(7,255)**	**13,677,719**	**–**
As at 31 December 2014:						
Assets	257,177,347	112,251,897	19,191,223	18,311,376	79,424,833	**486,356,676**
Liabilities and equity	194,429,861	182,908,675	19,950,187	18,225,124	70,842,829	**486,356,676**
Net exposure	**62,747,486**	**(70,656,778)**	**(758,964)**	**86,252**	**8,582,004**	**–**

p) Currency risk – effect of change in fair value of currency

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

	Change in currency rate %	Effect on consolidated income statement 2015	2014
Currency			
US$	+2	(1,658,876)	(1,413,136)
Euro	+3	(12,535)	(22,769)
Pounds Sterling	+2	(145)	1,725
Other currencies	+3	410,332	257,460
US$	-2	1,658,876	1,413,136
Euro	-3	12,535	22,769
Pounds Sterling	-2	145	(1,725)
Other currencies	-3	(410,332)	(257,460)

q) Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by Qatar Central Bank in supervising the Group.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

(All amounts are shown in thousands of Qatari Riyals)

r) Capital adequacy

	2015 Basel III risk weighted amount	2014 Basel III risk weighted amount	2015 carrying amount	2014 carrying amount
Cash and balances with central banks	10,875,525	8,992,744	31,565,771	30,754,168
Due from banks	11,560,714	10,062,895	17,100,764	29,955,019
Loans and advances to customers	146,826,613	137,473,554	388,292,129	338,129,995
Investment securities	44,830,615	35,074,544	81,157,075	67,695,913
Investment in associates	13,957,848	11,912,087	7,950,721	7,963,437
Other assets	5,317,591	6,396,880	12,540,680	11,858,144
Off-balance sheet items	51,264,461	37,055,308	241,851,286	212,347,319
Total risk weighted assets for credit risk	**284,633,367**	**246,968,012**	**780,458,426**	**698,703,995**
Risk weighted assets for market risk	8,299,960	3,206,990		
Risk weighted assets for operational risk	25,438,578	22,316,945		
Total risk weighted assets	**318,371,905**	**272,491,947**		
Common Equity Tier 1 (CET 1) Capital	51,847,463	43,911,402		
Additional Tier 1 Capital	57,145	63,239		
Additional Tier 2 Capital	34,852	41,634		
Total eligible capital	**51,939,460**	**44,016,275**		
Capital adequacy ratio	**16.3%**	**16.2%**		

The Bank has followed QCB Basel III Capital Adequacy Ratio ('CAR') with effect from 1 January 2014 in accordance with QCB regulations. The minimum accepted CAR under QCB Basel III requirements are as follows:

> Minimum limit without capital conservation buffer is 10%
> Minimum limit including capital conservation buffer is 12.5%

5. Use of estimates and judgements

a) Key sources of estimation uncertainty

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

(i) 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 resources to continue in the 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 financial statements continue to be prepared on the going concern basis.

(ii) Allowances for credit losses

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

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

Collectively assessed impairment allowances cover credit losses inherent in portfolios of loans and advances to customers and investment securities measured at amortised cost with similar credit risk characteristics, when there is objective evidence to suggest that they contain impaired financial assets, but the individual impaired items cannot yet be identified. In assessing the need for collective loss allowances management considers factors such as credit quality, portfolio size, concentrations and economic factors. In order to estimate the required allowance assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the estimates of future cash flows for specific counterparty allowances and the model assumptions and parameters used in determining collective allowances.

(All amounts are shown in thousands of Qatari Riyals)

5. Use of estimates and judgements (continued)

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

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

(i) Valuation of financial instruments
The Group's accounting policy on fair value measurements is discussed in the significant accounting policies section.

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

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

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

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

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

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

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1	Level 2	Level 3	Total
As at 31 December 2015:				
Derivative assets held for risk management	–	221,100	–	221,100
Investment securities	27,144,685	17,919,907	–	45,064,592
Total	**27,144,685**	**18,141,007**	**–**	**45,285,692**
Derivative liabilities held for risk management	–	676,737	–	676,737
Total	**–**	**676,737**	**–**	**676,737**
As at 31 December 2014:				
Derivative assets held for risk management	–	294,046	–	294,046
Investment securities	17,816,111	15,576,241	–	33,392,352
Total	**17,816,111**	**15,870,287**	**–**	**33,686,398**
Derivative liabilities held for risk management	–	762,038	–	762,038
Total	**–**	**762,038**	**–**	**762,038**

There have been no transfers between Level 1 and Level 2 (2014: Nil).

The above table does not include QR171.9 million as at 31 December 2015 of available-for-sale equity investments that were measured at cost (2014: QR182.7 million).

(ii) Financial asset and liability classification
The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

> In classifying financial assets or liabilities as trading, the Group has determined that it meets the description of trading assets and liabilities set out in accounting policies.
> In designating financial assets at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in accounting policies.
> In classifying financial assets as held to maturity, the Group has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by accounting policies.

Details of the Group's classification of financial assets and liabilities are given in note 7.

(iii) Qualifying hedge relationships
In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

In accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

(iv) Impairment of investments in equity and debt securities
Investments in equity and debt securities are evaluated for impairment on the basis described in the significant accounting policies section.

(v) Useful lives of property and equipment
The Group's management determines the estimated useful life of property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset, physical wear and tear and technical or commercial obsolescence.

(vi) Useful lives of intangible assets
The Group's management determines the estimated useful life of its intangible assets for calculating amortisation. This estimate is determined after considering the expected economic benefits to be received from the use of intangible assets.

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

(vii) Impairment of non-financial assets
The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. All non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows.

6. Operating segments

The Group organises and manages its operations through four main business segments, as described below, which are the Group's strategic business units. For each strategic business units, the Group management committee reviews internal management reports on at least a quarterly basis. The strategic business units offer different products and services and are managed separately because they require different strategies.

Corporate banking
Corporate banking includes loans, deposits, investment and advisory services and other products and services with corporate customers and undertaking the Group's funding and centralised risk management activities through borrowings, issue of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.

Consumer banking
Consumer banking includes loans, deposits and other diversified range of products and services to retail customers.

Asset and wealth management
Assets and wealth management includes loans, deposits, assets management, brokerage and custody services to high net worth customers.

International banking
International banking includes loans, deposits and other products and services with corporate and individual customers in the Group's international locations.

(All amounts are shown in thousands of Qatari Riyals)

6. Operating segments (continued)

	Qatar operations					
	Corporate banking	Consumer banking	Asset and wealth management	International banking	Unallocated and intra-group transactions	Total
As at 31 December 2015:						
External revenue:						
Net interest income	7,578,061	459,568	457,658	4,220,204	30,279	12,745,770
Net fee and commission income	704,183	180,980	282,905	1,072,601	2,248	2,242,917
Foreign exchange gain	367,265	82,387	114,786	178,209	3,648	746,295
Income from investment securities	140,670	–	–	21,748	–	162,418
Other operating income	1,461	7	2	3,552	14	5,036
Share of results of associates	33,168	–	–	332,770	–	365,938
Total segment revenue	**8,824,808**	**722,942**	**855,351**	**5,829,084**	**36,189**	**16,268,374**
Reportable segment profit	**7,301,958**	**93,602**	**517,812**	**3,443,441**	**(92,571)**	**11,264,242**
Reportable segment investments	52,506,790	–	23,241	28,627,044	–	81,157,075
Reportable segment loans and advances	265,139,688	9,773,843	19,459,024	93,919,574	–	388,292,129
Reportable segment customer deposits	175,963,774	21,969,610	44,985,018	152,271,900	–	395,190,302
Reportable segment assets	376,540,078	22,904,930	46,490,602	246,111,429	(153,439,899)	538,607,140
As at 31 December 2014:						
External revenue:						
Net interest income	7,427,812	452,751	400,015	3,931,352	50,057	12,261,987
Net fee and commission income	669,785	154,681	281,324	1,010,138	(1,072)	2,114,856
Foreign exchange gain	372,989	86,039	147,618	174,208	34,098	814,952
Income from investment securities	68,761	–	–	27,761	–	96,522
Other operating income	1,556	8	327	48,763	75,878	126,532
Share of results of associates	23,219	–	–	349,834	–	373,053
Total segment revenue	**8,564,122**	**693,479**	**829,284**	**5,542,056**	**158,961**	**15,787,902**
Reportable segment profit	**7,181,561**	**86,420**	**450,881**	**2,876,476**	**(140,637)**	**10,454,701**
Reportable segment investments	43,986,077	–	23,474	23,686,362	–	67,695,913
Reportable segment loans and advances	240,780,235	8,371,569	15,802,241	73,175,950	–	338,129,995
Reportable segment customer deposits	167,301,396	19,945,340	40,426,752	129,817,991	–	357,491,479
Reportable segment assets	335,002,218	20,634,806	42,694,138	208,563,650	(120,538,136)	486,356,676

(All amounts are shown in thousands of Qatari Riyals)

7. Financial assets and liabilities

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

	Held to maturity	Loans and advances	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
As at 31 December 2015:						
Cash and balances with central banks	–	31,565,771	–	–	31,565,771	31,565,771
Due from banks	–	–	–	17,100,764	17,100,764	17,100,764
Loans and advances to customers	–	388,292,129	–	–	388,292,129	388,292,129
Investment securities:						
– Measured at fair value	–	–	45,236,429	–	45,236,429	45,236,429
– Measured at amortised cost	35,920,646	–	–	–	35,920,646	36,652,748
	35,920,646	**419,857,900**	**45,236,429**	**17,100,764**	**518,115,739**	**518,847,841**
Due to banks	–	–	–	36,281,598	36,281,598	36,165,194
Customer deposits	–	–	–	395,190,302	395,190,302	395,190,302
Debt securities	–	–	–	16,342,420	16,342,420	16,342,420
Other borrowings	–	–	–	15,120,489	15,120,489	15,120,489
	–	**–**	**–**	**462,934,809**	**462,934,809**	**462,818,405**
As at 31 December 2014:						
Cash and balances with central banks	–	30,754,168	–	–	30,754,168	30,754,168
Due from banks	–	–	–	29,955,019	29,955,019	29,955,019
Loans and advances to customers	–	338,129,995	–	–	338,129,995	338,129,995
Investment securities:						
– Measured at fair value	–	–	33,575,044	–	33,575,044	33,575,044
– Measured at amortised cost	34,120,869	–	–	–	34,120,869	35,001,475
	34,120,869	**368,884,163**	**33,575,044**	**29,955,019**	**466,535,095**	**467,415,701**
Due to banks	–	–	–	22,113,705	22,113,705	22,182,718
Customer deposits	–	–	–	357,491,479	357,491,479	357,491,479
Debt securities	–	–	–	21,779,361	21,779,361	21,779,361
Other borrowings	–	–	–	12,524,373	12,524,373	12,524,373
	–	**–**	**–**	**413,908,918**	**413,908,918**	**413,977,931**

Investment securities – unquoted equity securities at cost

The above table includes QR171.9 million as at 31 December 2015 (2014: QR166.1 million) of equity investment securities in both the carrying amount and fair value columns that were measured at cost and for which disclosure of fair value was not provided, because their fair value were not considered to be reliably measurable.

(All amounts are shown in thousands of Qatari Riyals)

8. Cash and balances with central banks

	2015	2014
Cash	5,148,419	4,961,771
Cash reserve with Qatar Central Bank	12,253,084	12,077,917
Other balances with Qatar Central Bank	288,743	2,721,736
Balances with other central banks	13,875,525	10,992,744
Total	**31,565,771**	**30,754,168**

Cash reserve with Qatar Central Bank is a mandatory reserve and cannot be used to fund the Group's day-to-day operations.

9. Due from banks

	2015	2014
Current accounts	989,708	2,291,073
Placements	13,187,021	25,599,952
Loans	2,924,035	2,063,994
Total	**17,100,764**	**29,955,019**

10. Loans and advances to customers

a) By type

	2015	2014
Loans	377,022,736	319,600,243
Overdrafts	16,379,460	22,053,598
Bills discounted	2,104,060	3,540,148
	395,506,256	**345,193,989**
Deferred profit	(120,790)	(137,553)
Allowance for impairment of loans and advances to customers	(7,093,337)	(6,926,441)
Net loans and advances to customers	**388,292,129**	**338,129,995**

The aggregate amount of non-performing loans and advances to customers amounted to QR5,570 million, which represents 1.4% of total loans and advances (2014: QR5,579 million, 1.6% of total loans and advances to customers).

Allowance for impairment of loans and advances to customers includes QR1,094.8 million of interest in suspense (2014: QR865.4 million).

(All amounts are shown in thousands of Qatari Riyals)

b) By industry

	Loans and advances	Overdrafts	Bills discounted	Total
As at 31 December 2015:				
Government	53,519,092	36,565	–	53,555,657
Government agencies	123,577,074	2,301,754	–	125,878,828
Industry	17,689,582	5,661,507	745,139	24,096,228
Commercial	19,506,613	2,240,950	306,380	22,053,943
Services	73,032,299	2,575,204	710,481	76,317,984
Contracting	8,268,724	1,037,585	16,999	9,323,308
Real estate	42,496,267	179,636	146,067	42,821,970
Personal	36,238,170	2,098,684	2,912	38,339,766
Others	2,694,915	247,575	176,082	3,118,572
Total	**377,022,736**	**16,379,460**	**2,104,060**	**395,506,256**
As at 31 December 2014:				
Government	31,768,010	6,898,142	–	38,666,152
Government agencies	122,800,346	1,394,735	–	124,195,081
Industry	19,412,373	1,560,371	508,175	21,480,919
Commercial	16,156,025	1,298,625	422,930	17,877,580
Services	58,535,602	4,705,105	1,532,338	64,773,045
Contracting	5,284,141	424,740	138,328	5,847,209
Real estate	34,277,144	2,735,053	424,818	37,437,015
Personal	29,785,058	2,890,555	4,047	32,679,660
Others	1,581,544	146,272	509,512	2,237,328
Total	**319,600,243**	**22,053,598**	**3,540,148**	**345,193,989**

The amounts above include figures before subtracting specific impairment and deferred profit.

c) Movement in impairment of loans and advances to customers

	2015	2014
Balance as at 1 January	6,926,441	6,411,577
Foreign currency translation	(130,695)	(97,933)
Net allowance during the year	692,423	1,255,770
Allowances made during the year	1,747,584	2,049,012
Recoveries during the year	(1,055,161)	(793,242)
Written off / transfers during the year	(394,832)	(642,973)
Balance as at 31 December	**7,093,337**	**6,926,441**

(All amounts are shown in thousands of Qatari Riyals)

10. Loans and advances to customers (continued)

d) Impairment on loans and advances to customers

	Corporate lending	Small business lending	Consumer lending	Residential mortgages	Total
Balance as at 1 January 2015	4,887,479	264,306	1,696,983	77,673	6,926,441
Foreign currency translation	(107,444)	(5,179)	(14,567)	(3,505)	(130,695)
Allowances made during the year	1,131,656	130,338	482,181	3,409	1,747,584
Recoveries during the year	(551,711)	(85,648)	(414,135)	(3,667)	(1,055,161)
Written off / transfers during the year	(372,101)	(318)	(22,413)	–	(394,832)
Balance as at 31 December 2015	**4,987,879**	**303,499**	**1,728,049**	**73,910**	**7,093,337**
Balance as at 1 January 2014	4,630,315	255,399	1,435,655	90,208	6,411,577
Foreign currency translation	(89,841)	(2,103)	(5,688)	(301)	(97,933)
Allowances made during the year	1,186,982	105,883	743,635	12,512	2,049,012
Recoveries during the year	(382,418)	(86,681)	(299,397)	(24,746)	(793,242)
Written off / transfers during the year	(457,559)	(8,192)	(177,222)	–	(642,973)
Balance as at 31 December 2014	**4,887,479**	**264,306**	**1,696,983**	**77,673**	**6,926,441**

e) Net impairment during the year

	2015	2014
Corporate lending	(351,374)	(637,318)
Small business lending	(36,932)	(27,893)
Consumer lending	(45,143)	(448,513)
Residential mortgages	406	4,423
Total	**(433,043)**	**(1,109,301)**

11. Investment securities

Investments as at 31 December 2015 totalled QR81,157 million (2014: QR67,696 million). The analysis of investment securities is detailed below:

a) Available-for-sale financial investments

	2015		2014	
	Quoted	Unquoted	Quoted	Unquoted
Equities	884,614	156,098	352,871	166,058
State of Qatar debt securities	13,443,610	–	7,532,641	–
Other debt securities	29,400,152	34,819	24,197,583	69,724
Mutual funds	1,301,381	15,755	1,239,533	16,634
Total	**45,029,757**	**206,672**	**33,322,628**	**252,416**

Fixed rate securities and floating rate securities amounted to QR42,794 million and QR85.0 million respectively (2014: QR31,707 million and QR92.5 million respectively).

The above includes impairment allowance in respect of debt securities amounting to QR21.8 million (2014: QR26.2 million).

(All amounts are shown in thousands of Qatari Riyals)

b) Held to maturity financial investments

	2015		2014	
	Quoted	Unquoted	Quoted	Unquoted
By issuer				
State of Qatar debt securities	21,388,273	–	21,392,112	42,475
Other debt securities	14,171,321	361,052	11,636,242	1,050,040
Total	**35,559,594**	**361,052**	**33,028,354**	**1,092,515**
By interest rate				
Fixed rate securities	35,403,051	361,052	32,909,412	1,092,515
Floating rate securities	156,543	–	118,942	–
Total	**35,559,594**	**361,052**	**33,028,354**	**1,092,515**

The above includes impairment allowance in respect of debt securities amounting to QR35.9 million (2014: QR39.8 million).

The carrying amount and fair value of securities under repurchase agreements amounted to QR6,463 million and QR7,040 million respectively (2014: QR3,136 million and QR3,721 million respectively).

12. Investments in associates

	2015	2014
Balance as at 1 January	7,963,437	5,840,008
Foreign currency translation	(78,467)	(173,849)
Investments acquired during the year	49,909	2,101,929
Share in profit	365,938	373,053
Cash dividend	(187,372)	(141,635)
Associates sold / transferred	(23)	(15,841)
Other movements	(162,701)	(20,228)
Balance as at 31 December	**7,950,721**	**7,963,437**

			Ownership %	
	Country	Principal business	2015	2014
Housing Bank for Trade and Finance	Jordan	Banking	34.5	34.5
Al Jazeera Finance Company	Qatar	Financing	20.0	20.0
Commercial Bank International	UAE	Banking	40.0	40.0
Bank of Commerce and Development	Libya	Banking	49.0	49.0
Senouhi Company for Construction Materials	Egypt	Construction	23.0	23.0
Ecobank Transnational Incorporated	Togo	Banking	20.0	19.4

(All amounts are shown in thousands of Qatari Riyals)

12. Investments in associates (continued)

The table below shows the summarised financial information of the Group's investment in listed associates:

	Total assets	Total liabilities	Equity	Group's share of profit	Market price per share (QR)
Balance as at 30 September 2015					
Housing Bank for Trade and Finance	40,834,980	35,643,806	5,191,173	218,465	47.74
Commercial Bank International	17,482,367	15,229,263	2,253,105	(22,724)	1.54
Ecobank Transnational Incorporated	85,077,771	75,415,298	9,662,473	237,058	0.34
Balance as at 31 December 2014					
Housing Bank for Trade and Finance	39,061,102	33,720,568	5,340,533	195,331	46.80
Commercial Bank International	19,509,246	17,229,896	2,279,350	83,776	1.73
Ecobank Transnational Incorporated	88,258,687	78,592,851	9,665,836	70,745	0.32

13. Property and equipment

	Land and buildings	Leasehold improvements	Equipment and furniture	Motor vehicles	Total
Balance as at 31 December 2015					
Cost:					
Balance as at 1 January	1,691,017	519,604	1,176,861	23,183	3,410,665
Additions	65,383	71,689	151,931	1,298	290,301
Disposals	(570)	(312)	(2,131)	(357)	(3,370)
Foreign currency translation	(80,284)	(16,089)	(34,654)	(1,703)	(132,730)
	1,675,546	**574,892**	**1,292,007**	**22,421**	**3,564,866**
Accumulated depreciation:					
Balance as at 1 January	358,474	381,815	880,189	10,843	1,631,321
Charged during the year	44,084	57,008	136,389	3,889	241,370
Disposals	–	(56)	(1,379)	(261)	(1,696)
Foreign currency translation	(20,826)	(12,391)	(25,825)	(802)	(59,844)
	381,732	**426,376**	**989,374**	**13,669**	**1,811,151**
Net carrying amount	**1,293,814**	**148,516**	**302,633**	**8,752**	**1,753,715**
Balance as at 31 December 2014					
Cost:					
Balance as at 1 January	1,240,454	477,539	1,060,708	21,378	2,800,079
Additions	504,870	49,706	134,157	3,168	691,901
Disposals	(7,521)	(616)	(5,756)	(1,172)	(15,065)
Foreign currency translation	(46,786)	(7,025)	(12,248)	(191)	(66,250)
	1,691,017	**519,604**	**1,176,861**	**23,183**	**3,410,665**
Accumulated depreciation:					
Balance as at 1 January	325,784	321,038	754,798	7,493	1,409,113
Charged during the year	45,907	65,554	136,725	4,331	252,517
Disposals	(3,155)	(350)	(3,356)	(814)	(7,675)
Foreign currency translation	(10,062)	(4,427)	(7,978)	(167)	(22,634)
	358,474	**381,815**	**880,189**	**10,843**	**1,631,321**
Net carrying amount	**1,332,543**	**137,789**	**296,672**	**12,340**	**1,779,344**

(All amounts are shown in thousands of Qatari Riyals)

14. Intangible assets

	Goodwill	Core deposit intangibles	Operating licence	Total
Cost				
Balance as at 1 January 2015	4,144,091	974,042	615,956	5,734,089
Foreign currency translation	–	(5,956)	(7,996)	(13,952)
Additions	–	–	18,980	18,980
Balance as at 31 December 2015	**4,144,091**	**968,086**	**626,940**	**5,739,117**
Accumulated amortisation				
Balance as at 1 January 2015	–	(194,461)	(78,363)	(272,824)
Foreign currency translation	–	4,471	5,144	9,615
Amortisation charge	–	(88,742)	(9,408)	(98,150)
Balance as at 31 December 2015	**–**	**(278,732)**	**(82,627)**	**(361,359)**
Net book value as at 31 December 2015	**4,144,091**	**689,354**	**544,313**	**5,377,758**
Net book value as at 31 December 2014	**4,144,091**	**779,581**	**537,593**	**5,461,265**

Impairment tests for goodwill and intangible assets with indefinite lives

Net book value of goodwill as at 31 December 2015 includes QR3.9 billion (2014: QR3.9 billion) in respect of QNB ALAHLI, QR89.6 million (2014: QR89.6 million) in respect of QNB Indonesia, QR111.9 million (2014: QR111.9 million) in respect of Al-Mansour Investment Bank and QR77.4 million (2014: QR77.4 million) in respect of QNB Tunisia.

The intangible assets with finite lives have a remaining amortisation period ranging between 10 to 11 years.

Recoverable amount of goodwill and other intangible assets with indefinite useful life is calculated using value-in-use method based on following inputs. A discount rate of 19.3% (2014: 19.3%) and a terminal growth rate of 2% (2014: 2%) were used to estimate the recoverable amount of QNB ALAHLI.

The Group performed its annual impairment test in accordance with its accounting policy and performed a sensitivity analysis of the underlying assumptions used in the value-in-use calculations. The recoverable amounts of cash-generating units were higher than the carrying amounts. Consequently, no impairment was considered necessary as at the end of the reporting period (2014: Nil).

15. Other assets

	2015	2014
Interest receivable	2,872,330	2,415,757
Prepaid expenses	86,915	84,651
Positive fair value of derivatives (note 34)	221,100	294,046
Sundry debtors	1,394,784	1,073,536
Others	834,078	749,545
Total	**5,409,207**	**4,617,535**

16. Due to banks

	2015	2014
Balances due to central banks	636,340	6,470,577
Current accounts	1,707,686	1,393,108
Deposits	27,372,723	10,784,485
Repurchase agreements	6,564,849	3,465,535
Total	**36,281,598**	**22,113,705**

(All amounts are shown in thousands of Qatari Riyals)

17. Customer deposits

a) By type

	2015	2014
Current and call accounts	101,061,778	96,618,719
Saving accounts	10,659,541	9,080,494
Time deposits	283,468,983	251,792,266
Total	**395,190,302**	**357,491,479**

b) By sector

	2015	2014
Government	30,242,417	24,966,886
Government agencies	115,100,240	118,289,109
Individuals	63,513,171	58,784,009
Corporate	186,334,474	155,451,475
Total	**395,190,302**	**357,491,479**

18. Debt securities

	2015	2014
Face value of bonds	16,382,250	21,843,000
Less: Unamortised discount	(39,830)	(63,639)
Total	**16,342,420**	**21,779,361**

The table below shows the movement in debt securities issued by the Group as at the end of the reporting period:

	2015	2014
Balance as at 1 January	21,779,361	21,754,224
Repayments	(5,460,750)	–
Other movements	23,809	25,137
Balance as at 31 December	**16,342,420**	**21,779,361**

The table below shows the maturity profile of the debt securities outstanding as at the end of the reporting period:

	2015	2014
2015	–	5,451,308
2016	2,730,376	2,730,376
2017	3,637,368	3,634,728
2018	6,351,913	6,344,193
2020	3,622,763	3,618,756
	16,342,420	**21,779,361**

The above debt securities are denominated in US$ and comprise of fixed and floating interest rates.

The interest rate paid on the above averaged 2.84% p.a in 2015 (2014: 2.84% p.a).

(All amounts are shown in thousands of Qatari Riyals)

19. Other borrowings

The table below shows the movement in other borrowings issued by the Group as at the end of the reporting period:

	2015	2014
Balance as at 1 January	12,524,373	12,408,154
Issuances during the year	12,809,347	2,119,611
Repayments	(10,264,017)	(1,523,009)
Other movements	50,786	(480,383)
Balance as at 31 December	**15,120,489**	**12,524,373**

The table below shows the maturity profile of the other borrowings outstanding as at the end of the reporting period:

	2015	2014
2015	–	10,143,005
2016	3,442,049	2,028,497
2017	235,042	264,361
2018	10,951,528	85,912
2020	491,870	2,598
Total	**15,120,489**	**12,524,373**

The above are denominated in US$, CHF, EUR, HKD, EGP and comprise of fixed and floating interest rates.

The interest rate paid on the above averaged 0.77% p.a in 2015 (2014: 0.95% p.a).

20. Other liabilities

	2015	2014
Interest payable	2,510,113	2,836,532
Expense payable	1,011,940	956,411
Other provisions (note 21)	115,435	107,143
Tax payable	597,989	625,808
Negative fair value of derivatives (note 34)	676,737	762,038
Unearned revenue	1,542,310	1,261,386
Social and sports fund	195,520	189,456
Deferred tax liability	165,369	183,744
Margin accounts	1,162,840	2,846,500
Others	5,638,680	4,716,814
Total	**13,616,933**	**14,485,832**

(All amounts are shown in thousands of Qatari Riyals)

21. Other provisions

	Staff indemnity	Legal provision	Total 2015	Total 2014
Balance as at 1 January	74,137	33,006	107,143	86,244
Foreign currency translation	–	908	908	(296)
Provisions made during the year	13,499	341	13,840	14,248
	87,636	**34,255**	**121,891**	**100,196**
Provisions relating to subsidiary	–	–	–	11,872
Provisions recovered during the year	–	(871)	(871)	(1,308)
Provisions paid and written off during the year	(5,372)	(213)	(5,585)	(3,617)
Balance as at 31 December	**82,264**	**33,171**	**115,435**	**107,143**

22. Shareholders' equity

a) Issued capital

The authorised, issued and fully paid up share capital of the Bank totalling QR6,997 million consists of 699,729,438 ordinary shares of QR10 each (2014: 699,729,438 shares of QR10 each). Qatar Investment Authority holds 50% of the ordinary shares of the Bank with the remaining 50% held by members of the public. All shares issued are of the same class and carry equal rights.

The table below shows the number of shares outstanding at the beginning and end of the year:

	2015	2014
Number of shares outstanding at the beginning of the year	699,729,438	699,729,438
Number of shares outstanding at the end of the year	**699,729,438**	**699,729,438**

b) Legal reserve

In accordance with Qatar Central Bank Law, at least 10% of the profit for the year is required to be transferred to the legal reserve until the reserve equals 100% of the paid up capital. This reserve is not available for distribution, except in circumstances specified in the Qatar Commercial Companies Law and after Qatar Central Bank approval. When bonus shares are proposed, an increase in the legal reserve is proposed equivalent to the increase in capital to enhance the financial position of the Group.

The proceeds received from the rights issue, net of any directly attributable transaction costs, are directly credited to share capital (nominal value of shares) and legal reserve (share premium on rights issue) when shares have been issued higher than their nominal value.

c) Risk reserve

In accordance with Qatar Central Bank regulations, a risk reserve is made to cover contingencies on loans and advances and financing activities, with a minimum requirement of 2.5% of the total direct facilities after excluding provisions for credit losses, deferred profits, exposures granted to or guaranteed by the Government and exposures against cash collaterals.

d) Fair value reserve

	Cash flow hedges	Available-for-sale investments	Total 2015	Total 2014
Balance as at 1 January	(479,206)	1,053,014	573,808	1,401,954
Foreign currency translation	(53)	(18,787)	(18,840)	(8,119)
Revaluation impact	(17,276)	(177,708)	(194,984)	(807,650)
Reclassified to consolidated income statement	–	(76,377)	(76,377)	(12,377)
Net movement during the year	(17,329)	(272,872)	(290,201)	(828,146)
Balance as at 31 December	**(496,535)**	**780,142**	**283,607**	**573,808**

Fair value reserve for available-for-sale investment securities as at 31 December 2015 includes a negative fair value amounting to QR76.2 million (2014: QR1.9 million).

(All amounts are shown in thousands of Qatari Riyals)

e) Foreign currency translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

f) Other reserves

Other reserves represent mainly a general reserve which, in accordance with the Bank's Articles of Association, shall be employed according to a resolution of the General Assembly upon the recommendation from the Board of Directors and after Qatar Central Bank approval. Currency translation adjustments and share of changes recognised directly in associates' equity are not available for distribution. Details of other reserves are as follows:

	2015	2014
General reserve	1,787,365	1,792,272
Share of changes recognised directly in associates' equity, excluding share of profit	(575,155)	(86,149)
Total	**1,212,210**	**1,706,123**

g) Retained earnings

Retained earnings include the Group's share in profit of associates. These profits are distributable to the shareholders only to the extent of the cash received.

h) Proposed dividend

The Board of Directors have proposed a cash dividend of 35% of the nominal share value (QR3.5 per share) and bonus shares of 20% of the share capital for the year ended 31 December 2015 (2014: cash dividend 75% of the nominal share value (QR7.5 per share)). The amounts are subject to the approval of the General Assembly.

23. Non-controlling interests

Represents the non-controlling interest in QNB Syria amounting to 49.2% of the share capital, 17.4% in QNB Indonesia, 49.2% in Al-Mansour Investment Bank, 0.04% in QNB Tunisia and 2.88% in QNB ALAHLI.

24. Interest income

	2015	2014
Due from central banks	20,491	48,485
Due from banks	270,517	220,479
Debt securities	4,527,854	4,129,503
Loans and advances	15,200,614	14,267,866
Total	**20,019,476**	**18,666,333**

25. Interest expense

	2015	2014
Due to banks	579,264	438,807
Customer deposits	5,811,000	5,103,577
Debt securities	592,307	617,523
Others	291,135	244,439
Total	**7,273,706**	**6,404,346**

(All amounts are shown in thousands of Qatari Riyals)

26. Fee and commission income

	2015	2014
Loans and advances	874,677	654,986
Off-balance sheet items	583,563	530,786
Bank services	794,726	840,699
Investment activities for customers	208,151	279,745
Others	38,849	20,427
Total	**2,499,966**	**2,326,643**

27. Foreign exchange gain

	2015	2014
Dealing in foreign currencies	599,276	664,164
Revaluation of assets and liabilities	117,588	171,417
Revaluation of derivatives	29,431	(20,629)
Total	**746,295**	**814,952**

28. Income from investment securities

	2015	2014
Net gains from sale of available-for-sale securities	76,377	12,377
Dividend income	86,041	84,145
Total	**162,418**	**96,522**

29. Staff expenses

	2015	2014
Staff costs	2,005,382	1,834,570
Staff pension fund costs	36,223	32,228
Staff indemnity costs	13,499	13,297
Total	**2,055,104**	**1,880,095**

30. Other expenses

	2015	2014
Training	42,100	33,387
Advertising	235,146	238,976
Professional fees	89,707	88,721
Communication and insurance	169,431	137,381
Occupancy and maintenance	256,232	239,298
Computer and IT costs	208,613	184,848
Printing and stationery	33,818	31,961
Directors' fees	11,380	11,380
Others	162,286	178,451
Total	**1,208,713**	**1,144,403**

(All amounts are shown in thousands of Qatari Riyals)

31. Basic and diluted earnings per share

Earnings per share for the Group is calculated by dividing profit for the year attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Profit for the year attributable to equity holders of the Bank	11,264,242	10,454,701
Weighted average number of shares	699,729,438	699,729,438
Earnings per share (QR) – basic and diluted	**16.1**	**14.9**

The weighted average number of shares have been calculated as follows:

	2015	2014
Weighted average number of shares at the beginning of the year	699,729,438	699,729,438
Weighted average number of shares at the end of the year	**699,729,438**	**699,729,438**

32. Contingent liabilities and other commitments

a) Contingent liabilities

	2015	2014
Unutilised credit facilities	52,447,682	44,457,004
Guarantees	46,391,681	37,758,889
Letters of credit	10,837,060	9,020,818
Others	27,087,805	23,121,800
Total	**136,764,228**	**114,358,511**

b) Other commitments

	2015	2014
Forward foreign exchange contracts	39,513,185	30,815,972
Interest rate swaps	50,850,271	48,207,898
Options, caps and floors	634,992	1,939,262
Mutual funds	14,088,610	17,025,676
Total	**105,087,058**	**97,988,808**

Unutilised credit facilities
Commitments to extend credit represent contractual commitments to make loans and revolving credits. The majority of these expire in the next year. Since commitments may expire without being drawn upon, the total contractual amounts do not necessarily represent future cash requirements.

Guarantees and letters of credit
Guarantees and letters of credit commit the Group to make payments on behalf of customers in the case of a specific event. Guarantees and standby letters of credit carry the same credit risk as loans.

(All amounts are shown in thousands of Qatari Riyals)

33. Geographical distribution

	Qatar	Other GCC countries	Europe	North America	Others	Total
As at 31 December 2015:						
Cash and balances with central banks	16,495,135	983,739	213,585	–	13,873,312	31,565,771
Due from banks	1,210,678	3,025,469	5,174,400	3,260,583	4,429,634	17,100,764
Loans and advances	294,372,555	15,665,542	21,757,911	1,465,487	55,030,634	388,292,129
Investments	42,165,336	4,786,816	2,170,384	614,020	39,371,240	89,107,796
	354,243,704	**24,461,566**	**29,316,280**	**5,340,090**	**112,704,820**	**526,066,460**
Other assets						12,540,680
Total assets						**538,607,140**
Due to banks	2,119,843	15,119,535	4,205,007	1,503,063	13,334,150	36,281,598
Customer deposits	242,918,402	16,576,397	67,779,112	1,753,956	66,162,435	395,190,302
Debt securities	–	–	16,342,420	–	–	16,342,420
Other borrowings	–	–	4,010,877	–	11,109,612	15,120,489
	245,038,245	**31,695,932**	**92,337,416**	**3,257,019**	**90,606,197**	**462,934,809**
Other liabilities						13,616,933
Total equity						62,055,398
Total liabilities and equity						**538,607,140**
Guarantees	21,147,171	1,666,402	6,094,024	441,220	17,042,864	46,391,681
Letters of credit	5,880,753	684,468	910,125	–	3,361,714	10,837,060
Unutilised credit facilities	38,178,363	3,265,319	337,202	–	10,666,798	52,447,682
As at 31 December 2014:						
Cash and balances with central banks	18,569,979	628,037	181,873	–	11,374,279	30,754,168
Due from banks	7,771,699	9,891,902	6,989,727	783,066	4,518,625	29,955,019
Loans and advances	264,954,045	9,850,043	18,312,495	299,403	44,714,009	338,129,995
Investments	34,235,195	2,348,683	207,810	721,740	38,145,922	75,659,350
	325,530,918	**22,718,665**	**25,691,905**	**1,804,209**	**98,752,835**	**474,498,532**
Other assets						11,858,144
Total assets						**486,356,676**
Due to banks	6,907,536	5,560,963	2,500,574	17,405	7,127,227	22,113,705
Customer deposits	227,673,438	15,581,018	55,576,132	410,865	58,250,026	357,491,479
Debt securities	–	–	21,779,361	–	–	21,779,361
Other borrowings	–	–	5,804,550	–	6,719,823	12,524,373
	234,580,974	**21,141,981**	**85,660,617**	**428,270**	**72,097,076**	**413,908,918**
Other liabilities						14,485,832
Total equity						57,961,926
Total liabilities and equity						**486,356,676**
Guarantees	16,400,153	1,067,609	5,775,212	139,046	14,376,869	37,758,889
Letters of credit	3,312,153	520,211	1,019,340	–	4,169,114	9,020,818
Unutilised credit facilities	28,231,798	2,988,177	264,697	–	12,972,332	44,457,004

Other assets includes property and equipment and intangible assets.

(All amounts are shown in thousands of Qatari Riyals)

34. Derivatives

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, or market risk.

				Notional / expected amount by term to maturity			
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	1-5 years	More than 5 years
As at 31 December 2015:							
Derivatives held for trading:							
Forward foreign exchange contracts	72,107	58,572	39,513,185	25,539,306	13,973,879	–	–
Caps and floors	18,803	18,803	634,992	–	–	634,992	–
Interest rate swaps	27,321	–	14,290,767	–	553,818	3,426,180	10,310,769
Derivatives held as cash flow hedges:							
Interest rate swaps	102,795	599,330	36,545,129	400,455	4,563,262	18,522,663	13,058,749
Derivatives held as fair value hedges:							
Interest rate swaps	74	32	14,375	14,375	–	–	–
Total	**221,100**	**676,737**	**90,998,448**	**25,954,136**	**19,090,959**	**22,583,835**	**23,369,518**
As at 31 December 2014:							
Derivatives held for trading:							
Forward foreign exchange contracts	82,393	84,780	30,815,972	26,970,176	3,772,086	73,710	–
Caps and floors	27,357	27,357	1,939,262	884,751	346,711	707,800	–
Interest rate swaps	13,229	114	6,727,696	–	609,360	2,387,259	3,731,077
Derivatives held as cash flow hedges:							
Interest rate swaps	168,967	648,173	41,299,857	4,857,881	4,167,070	21,486,163	10,788,743
Derivatives held as fair value hedges:							
Interest rate swaps	2,100	1,614	180,345	15,452	150,350	14,543	–
Total	**294,046**	**762,038**	**80,963,132**	**32,728,260**	**9,045,577**	**24,669,475**	**14,519,820**

Swaps

Swaps are commitments to exchange one set of cash flows for another. In the case of interest rate swaps, counterparties generally exchange fixed and floating interest payments in a single currency without exchanging principal. In the case of currency swaps, fixed interest payments and principal are exchanged in different currencies. In the case of cross-currency interest rate swaps, principal, fixed and floating interest payments are exchanged in different currencies. In the case of credit default swaps the counterparties agree to make payments with respect to defined credit events based on specified notional amounts.

(All amounts are shown in thousands of Qatari Riyals)

34. Derivatives (continued)

Forwards and futures
Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in future contract values are settled daily.

Forward rate agreements
Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement of the difference between a contracted interest rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

Options
Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Caps and floors
An interest rate cap or floor is a contractual arrangement under which the buyer receives money at the end of each specific period, in which the agreed interest rate exceeds or is below the agreed strike price of the cap or floor.

Derivatives held for hedging purposes
The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves reducing the Group's exposure to fluctuations in foreign exchange rates and interest rates to acceptable levels within the guidelines issued by the Qatar Central Bank. The Group has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Group has established a level of interest rate risk by setting limits on interest rate gaps for stipulated periods. Asset and liability interest rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce interest rate gaps within the established limits.

As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to adjust its own exposure to currency and interest rate risks. This is generally achieved by hedging specific transactions in the consolidated statement of financial position.

The Group uses interest rate swaps to hedge against the cash flow risk arising on certain floating rate liabilities. In such cases, the hedging relationship and objective, including details of the hedged items and hedging instruments, are formally documented and the transactions are accounted for as cash flow hedges.

The Group uses interest rate swap contracts to mitigate part of the risk of a potential increase in the fair value of its fixed rate customer's deposits in foreign currencies to the extent caused by declining market interest rates. These transactions are accounted as fair value hedges.

Derivatives held for trading purposes
Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying and profiting from price differentials between markets or products. The Group also uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks.

35. Mutual funds
As part of the Group's investment activities, the following mutual funds were marketed by the Group:

	2015	2014
Funds marketed	**140,730**	**134,700**

The Group's investment activities also include management of certain investment funds. As at 31 December 2015, third party funds under management amounted to QR14,088 million (2014: QR17,026 million). The financial statements of these funds are not consolidated with the financial statements of the Group as these funds have no recourse to the general assets of the Group and the Group has no recourse to the assets of the funds. However, the Group's share of equity in these funds is included in the financial investments of the Group.

(All amounts are shown in thousands of Qatari Riyals)

36. Related parties

The Group has transactions in the ordinary course of business with directors, officers of the Group and entities over which they have significant influence and control. The key management personnel are those persons having authority and responsibility in making financial and operating decisions. At the statement of financial position date, such significant balances included:

	2015	2014
Statement of financial position items		
Loans and advances	1,797,141	1,659,244
Deposits	535,298	397,318
Contingent liabilities and other commitments	41,209	53,729
Income statement items		
Interest and commission income	49,287	42,746
Interest and commission expense	4,545	4,711

	2015	2014
Associates		
Due from banks	947,924	749,581
Interest and commission income	18,295	7,096
Due to banks	901,792	15,801
Interest expense	4,285	7,610

The Group also has significant commercial transactions with the Government of Qatar which are disclosed in notes 10 and 17. All the transactions with related parties are substantially on the same terms, including interest rates and collateral, as those prevailing in comparable transactions with unrelated parties.

	2015	2014
Compensation of key management personnel is as follows:		
Salaries and other benefits	44,801	34,929
End of service indemnity benefits	1,042	829

37. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances:

	2015	2014
Cash and balances with central banks	19,312,687	18,676,251
Due from banks maturing in three months	10,737,927	24,755,076
Total	**30,050,614**	**43,431,327**

Cash and balances with Central Banks do not include mandatory reserve deposits.

38. Comparative figures

Certain prior year amounts have been reclassified for better presentation in order to conform with the current year presentation. These consist of margins held for direct and indirect facilities amounting to QR2,847 million which were previously included within customer deposits (note 17) reclassified to other liabilities (note 20). Such reclassifications do not affect the previously reported profit or equity.

(All amounts are shown in thousands of Qatari Riyals)

Parent company

The statement of financial position and income statement of the parent company are presented below:

(i) Statement of financial position as at 31 December:

	2015	2014
ASSETS		
Cash and balances with central banks	22,026,180	22,988,077
Due from banks	20,868,043	31,311,591
Loans and advances to customers	349,051,474	305,386,869
Investment securities	55,201,747	44,441,009
Investments in subsidiaries and associates	19,697,962	19,723,782
Property and equipment	1,062,940	1,089,539
Other assets	4,135,741	3,337,222
Total assets	**472,044,087**	**428,278,089**
LIABILITIES		
Due to banks	61,924,363	54,390,564
Customer deposits	330,054,497	301,544,876
Other borrowings	11,954,445	6,542,700
Other liabilities	9,089,829	10,279,788
Total liabilities	**413,023,134**	**372,757,928**
EQUITY		
Issued capital	6,997,294	6,997,294
Legal reserve	23,086,902	23,086,902
Risk reserve	5,000,000	3,500,000
Fair value reserve	61,776	372,002
Foreign currency translation reserve	(707,297)	(586,417)
Other reserves	1,194,879	1,683,885
Retained earnings	23,387,399	20,466,495
Total equity	**59,020,953**	**55,520,161**
Total liabilities and equity	**472,044,087**	**428,278,089**

(All amounts are shown in thousands of Qatari Riyals)

(ii) Income statement for the year ended 31 December:

	2015	2014
Interest income	13,898,907	13,771,093
Interest expense	(3,974,946)	(3,819,242)
Net interest income	**9,923,961**	**9,951,851**
Fee and commission income	1,730,949	1,503,611
Fee and commission expense	(253,364)	(208,339)
Net fee and commission income	**1,477,585**	**1,295,272**
Foreign exchange gain	623,374	741,237
Income from investment securities	140,669	68,762
Other operating income	1,515	77,460
Operating income	**12,167,104**	**12,134,582**
Staff expenses	(1,291,213)	(1,194,016)
Depreciation	(164,530)	(175,416)
Other expenses	(696,054)	(697,860)
Net impairment losses on investment securities	(178,529)	(85,876)
Net impairment losses on loans and advances to customers	17,483	(777,132)
Other provisions	(770)	(4,803)
Profit before income taxes	**9,853,491**	**9,199,479**
Income tax expense	(178,297)	(131,070)
Profit for the year	**9,675,194**	**9,068,409**

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